



## **VISION**

**A prosperous, sustainable and community-oriented city**

## **MERA FONG CITY LOCAL MUNICIPALITY**

## **MEDIUM TERM BUDGET 2018/2019 TO 2020/2021**

## **MISSION**

**To provide quality services to our community through  
accountable governance**

# **ITEM: MEDIUM TERM BUDGET 2018/2019 TO 2020/2021**

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## **1.1 Purpose**

The purpose of this document is to table the 2018/19 to 2020/2021 Medium Term Budget and budget related policies for consideration.

The Budget has been compiled within the framework of the MFMA, Circulars No 90 and 91 of the National Treasury and the New Municipal Budget Regulations.

Circulars No 90 and 91 provides instructions, guidance and information on crucial issues that municipalities need to consider when preparing their budgets. These issues include the local response to the global economic crisis, headline inflation forecasts, revision of rates, tariffs and other charges, transfers to municipalities, budget process and submissions, and the Municipal Budget and Reporting Regulations.

## **PART 1 - ANNUAL BUDGET**

### **1.2 Executive Summary**

The application of sound financial management principles for the compilation of the Councils financial plan is essential and critical to ensure that the Council remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Councils business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

The outcome of the Valuation Appeal Board and the liquidation of Blyvooruitzicht mine had a serious effect on council's cash flow and ability to render the same level of services to the community of Merafong.

This has, over the years, subsequently negatively affected council's ability to reduce service delivery backlogs. Programs planned for the outer years had to be cut back and reprioritised.

Council has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Council has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people led government.

National Treasury's MFMA Circular No. 90 and 91 were used to guide the compilation of the 2018/19 MTREF.

The main challenges experienced during the compilation of the 2018/19 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- The amendments to the mines valuations and the liquidation of Blyvooruitzicht mine.
- Ageing and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope;
- The increased cost of bulk water (due to tariff increases from Rand Water), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2018/19 MTREF process;
- Availability of affordable capital/borrowing as council will not be in a position to borrow additional funding.
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;

The following budget principles and guidelines directly informed the compilation of the 2018/19 MTREF:

- Producing a Balanced Budget – ensuring that the expenditure is aligned to the revenue and that the Council has sufficient cash to meet its debt obligations. Council will not be in a position to table a balance budget for the 2018/19 MTREF
- Sustainability – ensure that the capital investment is within the financial capacity of Council and ensure that there is continuous investment on the infrastructure maintenance and replacement in a medium to long term period.

- Budget needs to respond to basic service delivery.
- Stabilise the balance sheet – creating cash reserves to support and improve the current ratio and future capital investment capacity. Due to the current financial position of council no cash reserves will be created.
- Stabilisation and protection of the revenue base.
- Need to produce savings to facilitate the implementation of new programmes.
- On-going costs should be funded with on-going revenues – aligning continuing expenditures with continuing revenues, on a level that can be reasonably sustained and reduce reliance on onetime funding.
- Review all Council services and programs for operational efficiencies to improve service levels and delivery / managing the cost down.
- The 2017/18 Adjustments Budget priorities and targets, as well as the base line allocations contained in the Adjustments Budget were adopted as the upper limits for the new baselines for the 2018/19 annual budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- With the amendments to the mines valuations, and the large increase in Bulk Water, General Expenses and Repairs and Maintenance will have to be curtailed. No funds are available for Capital projects funded from Revenue.
- An upper limit must be set for the following items and allocations. They must be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
  - Telephones costs.
  - The management of the fleet and usage of vehicles.
  - The management of safety clothes.
  - Furniture and Equipment
  - Computer equipment.
  - Overtime
- The following expenditure will not be catered for due to the financial situation of council:
  - Entertainment,
  - Travel and Subsistence,
  - Attendance of Conferences,
  - Catering at meetings,
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

### **The South African economy and inflation targets**

The 2018 Budget Review emphasised that, although global risk factors remain elevated, the world economy continues to provide a supportive platform for South Africa to expand trade and investment. The world economic growth is at its highest since 2014 and continues to gather pace with Gross Domestic Product (GDP) growth increasing across all major economies.

South Africa has experienced a period of protracted economic weakness which diminishes private investment. This may be attributed to domestic constraints, associated to political uncertainty, and declining business and consumer confidence. The local economy is beginning to recover after a short recession in early 2017 however the improvement is insufficient. Growth has remained stagnant at less than 2 per cent and unemployment remains high at 26.7 per cent. The prerequisites for increased revenue and expanded service delivery are more rapid growth, investment and job creation.

The GDP growth rate is forecasted at 1.5 per cent in 2018, 1.8 per cent in 2019 and 2.1 per cent in 2020. Statistics South Africa's December 2017 economic statistics showed an unexpected improvement in the economic outlook, largely as a result of growth in agriculture and mining.

The main risks to the economic outlook are continued policy uncertainty and deterioration in the finances of state-owned entities. The drought experienced in several provinces poses significant risks to agriculture and tourism for the period ahead, and this may threaten jobs in these sectors. The current water crisis in the Western Cape and other provinces will affect economic growth. While the drought's impact is uncertain much depends on how long it will prevail; the extent to which specific catchment areas are affected; and the success of mitigation measures.

These economic challenges will continue to exert pressure on municipal revenue generation and collection levels hence a conservative approach is advised for revenue projections. Municipalities affected by the drought should also consider its impact on revenue generation. In addition, municipalities will have to improve their efforts to limit non-priority spending and to implement stringent cost-containment measures.

The following macro-economic forecasts must be considered when preparing the 2018/19 MTREF municipal budgets.

Fiscal year	2017/18	2018/19	2019/20	2020/21
	Estimate	Forecast		
CPI Inflation	5.30%	5.30%	5.40%	5.50%
Real GDP Growth	1.00%	1.50%	1.80%	2.10%

In view of the aforementioned, the following table is a consolidated overview of the proposed 2018/19 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2018/2019 MTREF**

R thousand	Adjustment Budget 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21
<b>Total Operating Revenue</b>	<b>1,152,510</b>	<b>1,201,550</b>	<b>1,256,434</b>	<b>1,320,865</b>
<b>Total Operating Expenditure</b>	<b>1,409,344</b>	<b>1,463,855</b>	<b>1,521,263</b>	<b>1,590,316</b>
<b>Surplus / (Deficit) for the Year</b>	<b>-256,834</b>	<b>-262,305</b>	<b>-264,829</b>	<b>-269,451</b>
<b>Total Capital Expenditure</b>	<b>217,897</b>	<b>233,432</b>	<b>118,650</b>	<b>117,719</b>

Total operating revenue has increased by 4.26 per cent or R49,04 million for the 2018/19 financial year when compared to the 2017/18 Adjustments Budget. For the two outer years, operational revenue will increase by R54.88 and R64.43 Million respectively, equating to a total increase in revenue of R168.4 million over the MTREF when compared to the 2017/18 financial year.

Total operating expenditure for the 2018/19 financial year has been appropriated at R1,463.9 billion and translates into a budgeted deficit of R262.8 million. When compared to the 2017/18 Adjustments Budget, operational expenditure has increased by R54.5 Million or 3.87 per cent in the 2018/19 budget and increase by R51.4 and Million R69.1 Million for each of the respective outer years of the MTREF. The operating deficit for the two outer years will increase for the two outer years. These deficits will be funded from the accumulated surpluses.

The capital budget of R233.4 Million for 2018/19 is 7.13 per cent more when compared to the 2017/18 Adjustment Budget. Note that the Council has reached its prudential borrowing limits and so there is no scope to increase these borrowing levels over the medium-term.

### **Local government grants and additional allocations**

Since the 2017 Medium Term Budget Policy Statement (MTBPS) reprioritisation and reductions undertaken have affected planned spending for 2018/19. Local government direct and indirect transfers absorb 18.8 per cent of the reductions. A total of R13.9 billion has been cut from direct local government conditional grant allocations for the Medium Term Expenditure Framework (MTEF) period ahead since the 2017 MTBPS was tabled. Indirect grants to local government have been reduced by an additional R2.2 billion.

The reductions did not affect all conditional grants, and not all grants were reduced by the same percentage. The infrastructure conditional grants, particularly the larger ones, were mainly affected as this was considered the most practical approach. The overall impact of reducing this funding affects capital programmes; therefore local government's share of the reductions is higher than their share of the division of revenue, given that municipalities receive a number of infrastructure grants. The average reductions over the medium term are 3.5 per cent of local government allocations.

### **Conditional grants**

The most substantial reduction has been applied to the largest grant – the *municipal infrastructure grant*. However, the structure of the formula used to allocate this grant reduces the impact of reductions on smaller municipalities. Project-based grants, such as those in the electricity and water sectors, have identified projects that will be postponed as a result of the adjustments. These changes do not affect any water augmentation projects in drought-affected areas.

Municipal Infrastructure Grant which had decreased for the past five years will for the first time increase in the 2017/18 financial year and with the reduction of grants by National Treasury are once again being reduced.

As at 01 July 2012, the total valuation for the mines was R4.6 billion. The valuation appeal board reduced the valuation to R253m with the net effect that the total property rates recoverable were reduced to R18m. The municipal valuer immediately proceeded with the compilation of supplementary valuation 3 and due to the amendment of the Municipal Property Rates Act, the surface buildings and infrastructure was included. The total mines valuation based on Supplementary valuation 3 increased to R1.8 billion, generating approximately R60m property rates per annum.



The mining houses made certain proposals relating to the splitting of the immovable property, buildings and surface infrastructure to be valued with the mining rights which effectively enabled the municipality to significantly increase the existing value of R1, 8 billion on the SV3.

Due to the fact that for at least the next two and a half years, the total property rates recovered is still being offset against the refund due to the mining houses, it was agreed to reduce the existing SV3 property value in accordance with a particular agreement, pending the finalization of supplementary valuation 6 that is to be drafted in a particular format as agreed with the mining houses. Furthermore, the mining houses have agreed that the effective date for implementation of SV6 will be applied retrospectively to the implementation date of SV3, being 01 August 2015.

*It was agreed that the new valuations will only be effective after the completion of the appeal process and is anticipated that the process will be completed by June 2018. Council received supplementary valuation roll 6 which was advertised for inspection from the mines.*

The above mentioned aspects have impeded council's ability to render an acceptable level of services to its communities. Programs planned for the outer years had to be cut back and reprioritised thereby increasing the backlogs.

### **1.3 Operating Revenue Framework**

For Merafong City to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty.

The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

Expenditure has been trimmed in areas that will not adversely affect service delivery, or where programmes are underperforming.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Council and continued economic development;
- Efficient revenue management, which aims to ensure a 75 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Council.

The following table is a summary of the 2018/19 MTREF (classified by main revenue source):

**Table 2 Summary of Revenue classified by main source**

GT484 Merafong City - Table A4 Budgeted Financial Performance (revenue and expenditure)								
Description	2014/15	2015/16	2016/17	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue By Source</b>								
Property rates	142,591	150,504	161,560	176,768	170,883	185,386	196,509	208,299
Service charges - electricity revenue	216,198	244,347	260,152	295,220	258,085	273,707	290,129	307,537
Service charges - water revenue	236,119	252,419	256,785	312,717	258,632	294,017	311,658	330,358
Service charges - sanitation revenue	25,735	28,798	27,843	31,651	30,574	29,090	30,836	32,686
Service charges - refuse revenue	49,807	52,189	54,903	64,137	61,755	58,477	61,985	65,705
Service charges - other								
Rental of facilities and equipment	1,162	1,266	2,442	1,586	2,207	2,340	2,480	2,629
Interest earned - external investments	8,194	5,602	7,318	2,786	16,120	6,500	6,500	6,500
Interest earned - outstanding debtors	43,477	54,674	73,429	79,690	87,650	93,004	98,585	104,500
Dividends received					-			
Fines, penalties and forfeits	17,139	13,525	30,950	5,765	10,222	10,836	11,486	12,175
Licences and permits	7,798	11,411	14,321	14,397	10,417	16,397	17,381	18,424
Agency services					-			
Transfers and subsidies	324,708	205,367	278,087	248,539	239,910	225,570	222,285	225,058
Other revenue	1,870	4,879	5,917	7,293	6,054	6,226	6,599	6,995
Gains on disposal of PPE								
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1,074,800</b>	<b>1,024,979</b>	<b>1,173,706</b>	<b>1,240,549</b>	<b>1,152,510</b>	<b>1,201,550</b>	<b>1,256,434</b>	<b>1,320,865</b>

**Table 3 Percentage growth in revenue by main revenue source**

GT484 Merafong City - Table A4 Budgeted Financial Performance (revenue and expenditure)								
Description			2018/19 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	Increase	Budget Year 2018/19	Increase	Budget Year +1 2019/20	Increase	Budget Year +2 2020/21	Increase
<b>Revenue By Source</b>								
Property rates	170,883	5.77%	185,386	8.49%	196,509	6.00%	208,299	6.00%
Service charges - electricity revenue	258,085	-0.79%	273,707	6.05%	290,129	6.00%	307,537	6.00%
Service charges - water revenue	258,632	0.72%	294,017	13.68%	311,658	6.00%	330,358	6.00%
Service charges - sanitation revenue	30,574	9.81%	29,090	-4.85%	30,836	6.00%	32,686	6.00%
Service charges - refuse revenue	61,755	12.48%	58,477	-5.31%	61,985	6.00%	65,705	6.00%
Service charges - other								
Rental of facilities and equipment	2,207	-9.61%	2,340	6.00%	2,480	6.00%	2,629	6.00%
Interest earned - external investments	16,120	120.29%	6,500	-59.68%	6,500	0.00%	6,500	0.00%
Interest earned - outstanding debtors	87,650	19.37%	93,004	6.11%	98,585	6.00%	104,500	6.00%
Dividends received	-							
Fines, penalties and forfeits	10,222	-66.97%	10,836	6.00%	11,486	6.00%	12,175	6.00%
Licences and permits	10,417	-27.26%	16,397	57.41%	17,381	6.00%	18,424	6.00%
Agency services	-							
Transfers and subsidies	239,910	-13.73%	225,570	-5.98%	222,285	-1.46%	225,058	1.25%
Other revenue	6,054	2.31%	6,226	2.84%	6,599	6.00%	6,995	6.00%
Gains on disposal of PPE								
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1,152,510</b>	<b>-1.81%</b>	<b>1,201,550</b>	<b>4.26%</b>	<b>1,256,434</b>	<b>4.57%</b>	<b>1,320,865</b>	<b>5.13%</b>

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise 69.6 percent of the total revenue mix. In the 2018/19 financial year, revenue from rates and services charges totalled R840.7 Million.

Operating grants and transfers totals R225.6. million in the 2017/18 financial year and decreases to R222.3 in 2018/19 and increases to R225.1 Million by 2018/19 and R225.8 Million in 2020/21.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

**Table 4 Operating Transfers and Grant Receipts**

GT484 Merafong City - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand										
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
National Government:		182,807	173,125	248,009	167,619	167,619	167,619	210,069	205,793	224,748
Local Government Equitable Share		178,319	168,320	162,952	163,084	163,084	163,084	185,872	203,628	222,151
Finance Management		1,600	1,600	1,625	1,700	1,700	1,700	1,700	2,165	2,597
Municipal Systems Improvement		934	930	–	1,365	1,365	1,365			
EPWP Incentive		1,954	2,275	1,424	1,470	1,470	1,470	1,180		
Municipal Infrastructure Grant (MIG)										
Disaster Grant				82,008				21,317		
Other transfers/grants [insert description]										
Provincial Government:		94,144	28,573	14,400	80,920	71,963	71,963	15,001	16,200	–
Housing		85,444	18,670	–	64,919	55,474	55,474	15,001	16,200	
Department of Sports, arts, culture and recreation		5,845	9,903	12,900	15,001	15,489	15,489			
Agricultural and Rural Development		2,855		–	500	500	500			
EPWP Incentive				500	500	500	500			
Department of Cooperative Governance and Traditional Affairs				1,000						
District Municipality:		1,415	1,732	–	–	–	–	–	–	–
HIV Programme		1,415	1,732							
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										
<b>Total Operating Transfers and Grants</b>	5	278,366	203,430	262,409	248,539	239,582	239,582	225,070	221,993	224,748
<b>Capital Transfers and Grants</b>										
National Government:		67,929	70,769	131,585	97,428	95,428	95,428	135,938	120,475	119,699
Municipal Infrastructure Grant (MIG)		57,929	56,008	52,519	67,428	65,428	65,428	64,938	66,275	69,974
National Electrification Programme		10,000	10,000	15,000	10,000	10,000	10,000	16,000	19,200	12,800
Department of Sports, arts, culture and recreation				–	20,000	20,000	20,000	55,000	35,000	36,925
Department of Water and Sanitation				8,000						
Energy Efficiency and Demand Side Management				–						
Disaster Grant				36,067						
Municipal Water Infrastructure grant			4,761	20,000						
Provincial Government:		39,727	68,796	26,282	26,282	84,228	84,228	46,900	–	–
Human Settlement Grant		39,727	63,896	26,282	26,282	84,228	84,228	46,900		
Dept Water and Sanitation			4,900							
District Municipality:		–	–	–	–	–	–	–	–	–
HIV Programme										
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										
<b>Total Capital Transfers and Grants</b>	5	107,656	139,566	157,867	123,710	179,656	179,656	182,838	120,475	119,699
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		386,022	342,995	420,277	372,249	419,237	419,237	407,908	342,468	344,447

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the City.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Rand Water bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's tariffs are largely outside the control of council. Discounting the impact of these price increases in lower consumer tariffs will erode the City's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the City is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the City has undertaken the tariff setting process relating to service charges as follows.

### **1.3.1 Property Rates**

As at 01 July 2012, the total valuation for the mines was R4.6 billion. The valuation appeal board reduced the valuation to R253m with the net effect that the total property rates recoverable were reduced to R18m. The municipal valuer immediately proceeded with the compilation of supplementary valuation 3 and due to the amendment of the Municipal Property Rates Act, the surface buildings and infrastructure was included. The total mines valuation based on Supplementary valuation 3 increased to R1.8 billion, generating approximately R60m property rates per annum.

The mining houses made certain proposals relating to the splitting of the immovable property, buildings and surface infrastructure to be valued with the mining rights which effectively enabled the municipality to significantly increase the existing value of R1, 8 billion on the SV3.

Due to the fact that for at least the next two and a half years, the total property rates recovered is still being offset against the refund due to the mining houses, it was agreed to reduce the existing SV3 property value in accordance with a particular agreement, pending the finalization of supplementary valuation 6 that is to be drafted in a particular format as agreed with the mining houses. Furthermore, the mining houses have agreed that the effective date for implementation of SV6 will applied retrospectively to the implementation date of SV3, being 01 August 2015.

*It was agreed that the new valuations will only be effective after the completion of the appeal process and is anticipated that the process will be completed by June 2018. Council received supplementary valuation roll 6 which was advertised for inspection from the mines.*

The percentage rebate granted to Pensioners accordingly to the different monthly household income levels will be determined according to the schedule below.

<b>The proposed incomes and rebates for pensioners for the 2018 / 2019 financial year as follows: Gross Annual Household Income 2018/2019</b>	<b>% Rebate</b>
R 1 To R 80 000	100%
R 80 001 to R 84 000	75%
R 84 001 to R 88 000	50%
R 88 001 to R 92 000	25%
R 92 001 and above	0%

This is an increase of 5% comparing to 2017/2018. Council had not increase the annual gross household income levels in the past two years.

### **1.3.2 Sale of Electricity and Impact of Tariff Increases**

The National Energy Regulator of South Africa (NERSA) published their “Municipal Tariff Guideline Increase, Benchmarks and Proposed Timelines for Municipal Tariff Approval Process for the 2018/19 Financial Year” on 28 February 2018.

The NERSA document proposes a 6.84 per cent guideline increase for municipal electricity tariffs for 2018/19. This is based on a bulk tariff increase for municipalities of 7.32 per cent.

Council will not be in a position to increase its tariffs to achieve a fully cost-reflective tariff as the Electricity losses are still not addressed.

The disturbing fact is that we have sold 80.293 Million units in the first six months of 2017/2018 comparing to 90.392 Million in 2016/2017. We have purchased 116.857 Million in 2017/2018 comparing to 116.816 in 2016/2017 first six months.

The electricity sales were 12% less than the 2016/2017 sales and this represented R15.9 Million for the six months.

Registered indigents will again be granted 50 kWh per 30-day period free of charge

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor).

The Council had already implemented block tariffs.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Municipality. The upgrading and extension of the municipalities' electricity network has therefore become a strategic priority, especially the substations and transmission lines.

It needs to be mentioned in the event that NERSA approves an additional increase to Eskom that council will have to increase the tariffs to cover the additional increase as approved by the Minister of Finance.

Council had not received the final determination of Tariffs for 2018/2019. These proposed tariffs will be submitted to NERSA for approval.

### **1.3.3 Sale of Water and Impact of Tariff Increases**

Rand Water had advised council that they will increase their water tariffs to municipalities by 14.9% from the 1 July 2018.

In light of the current drought experienced across large parts of the country, water is now a scarce resource that must be conserved.

Municipalities must put in place appropriate strategies to curb water losses as a result of leakages. The ageing infrastructure is a contributing factor as many municipalities have historically inadequately provided for repairs and maintenance and renewal of water infrastructure.

Water tariffs must be on aggregate fully cost-reflective – inclusive of bulk cost of water, the cost of maintenance and renewal of purification/treatment plants and network infrastructure, and the cost of new infrastructure;

Water tariffs must be structured to protect basic levels of service; and  
Water tariffs must be designed to encourage efficient and sustainable consumption (e.g. through inclining block tariffs).

Merafong had implemented block tariffs in the past.

Council had incorporate a higher tariff where consumers using more than 50 Kilo litres and in addition the increase will be in excess off the proposed tariff increase from Rand Water. Consumers that abuse water will pay in excess than the proposed increase by Rand Water.

Water losses are out of control the average unaccounted for water stands at 48.65% for the six months under review. This is directly affecting council's tariffs.

The total purchases in volumes is 7.3 Million kilo liters for 2017/2018 compared to 6.4 Million for 2016/2017 which is a clear indication of the magnitude of water losses as the sales remained constant.

Council will not be in a position to increase its tariffs to achieve a fully cost-reflective tariff.

Other services cannot continuously subsidies water and therefore water tariffs will have to increase beyond the bulk increase from Rand Water. The increase for the poor will be in line with the bulk increase from Rand Water.

The tariff structure of the 2018/19 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R35.00 per kilo liter for consumption in excess of 50kl per 30 day period.

Consumers that abuse water, tariff increases will be in excess of Rand Water increase. The increase for the poor and consumers that use water wisely will be less than the bulk increase from Rand Water.

### **1.3.4 Sanitation and Impact of Tariff Increases**

The proposed increase is not in-line with the guideline of 6% as the function is not cost reflective in 2017/2018 as councils tariffs are not fully cost reflective.

Sanitation tariffs must be on aggregate fully cost-reflective – inclusive of the cost of maintenance and renewal of purification/treatment plants and network infrastructure, and the cost of new infrastructure;

Sanitation tariffs must be structured to protect basic levels of service; and Sanitation tariffs must be designed to encourage efficient and sustainable consumption (e.g. through inclining block tariffs).

Merafong had implemented block tariffs in the past.

The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- Free sanitation (6 kℓ water) will be applicable to registered indigents.

### **1.3.5 Waste Removal and impact of Tariff Increases**

It's of utmost importance that refuse removal must be cost reflective. Solid waste is not cost reflective for 2017/2018. Due to the rehabilitation of the landfill site the service is still not cost reflective.

Where this is the case, municipalities should aim to have appropriately structured, cost-reflective solid waste tariffs in place by 2017.

A further aspect that has a serious influence on solid waste tariffs is the rehabilitation of the landfill site. In addition due to the financial situation of council vacant posts are not filled and the current employees must work overtime to perform their tasks.

The tariffs for solid waste management must take into account that it is good practice to maintain a cash-backed reserve to cover the future costs of rehabilitating landfill sites.

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The City will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term.

The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel, the cost of remuneration and the rehabilitation of the land fill site.

Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models.



### 1.3.6 Overall impact of Tariff increases on Households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 8.3 and 8.4 per cent.

**Table 5 MBRR Table SA14 – Household bills**

GT484 Merafong City - Supporting Table SA14 Household bills

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19 % incr.	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Rand/cent											
<b>Monthly Account for Household - 'Middle Income Range'</b>	1										
Rates and services charges:											
Property rates		540.17	577.99	619.13	662.46	662.46	662.46	6.5%	705.52	747.86	792.73
Electricity: Basic levy		56.25	64.70	70.00	71.16	71.16	71.16	7.5%	76.51	81.10	85.96
Electricity: Consumption		1,217.00	1,356.00	1,426.50	1,489.50	1,489.50	1,489.50	6.8%	1,591.39	1,686.87	1,788.09
Water: Basic levy											
Water: Consumption		283.50	325.50	364.56	396.75	396.75	396.75	11.2%	441.18	467.65	495.71
Sanitation		145.25	131.25	141.75	201.50	201.50	201.50	7.6%	216.75	229.76	243.54
Refuse removal		120.00	130.00	140.00	155.00	155.00	155.00	9.0%	168.95	179.09	189.83
Other											
sub-total		2,362.17	2,585.44	2,761.94	2,976.38	2,976.38	2,976.38	7.5%	3,200.30	3,392.32	3,595.86
VAT on Services		255.08	281.04	299.99	323.95	323.95	323.95		374.22	396.67	420.47
Total large household bill:		2,617.25	2,866.48	3,061.93	3,300.32	3,300.32	3,300.32	8.3%	3,574.52	3,788.99	4,016.33
% increase/decrease			9.5%	6.8%	7.8%	-	-		8.3%	6.0%	6.0%
<b>Monthly Account for Household - 'Affordable Range'</b>	2										
Rates and services charges:											
Property rates		370.04	395.94	424.13	453.81	453.81	453.81	6.5%	483.31	512.31	543.05
Electricity: Basic levy		56.25	67.40	70.00	71.16	71.16	71.16	7.5%	76.51	81.10	85.96
Electricity: Consumption		499.00	551.00	572.00	605.17	605.17	605.17	6.8%	646.56	685.35	726.47
Water: Basic levy											
Water: Consumption		229.00	263.00	294.56	319.50	319.50	319.50	10.3%	352.40	373.54	395.96
Sanitation		124.75	109.25	118.00	176.00	176.00	176.00	7.4%	189.00	200.34	212.36
Refuse removal		120.00	130.00	140.00	155.00	155.00	155.00	9.0%	168.95	179.09	189.83
Other											
sub-total		1,399.04	1,516.59	1,618.69	1,780.65	1,780.65	1,780.65	7.6%	1,916.73	2,031.73	2,153.64
VAT on Services		144.06	156.89	167.24	185.76	185.76	185.76		215.01	227.91	241.59
Total small household bill:		1,543.10	1,673.48	1,785.92	1,966.40	1,966.40	1,966.40	8.4%	2,131.74	2,259.65	2,395.23
% increase/decrease			8.4%	6.7%	10.1%	-	-		8.4%	6.0%	6.0%
<b>Monthly Account for Household - 'Indigent' Household receiving free basic services</b>	3										
Rates and services charges:											
Property rates		199.91	213.90	229.13	245.16	245.16	245.16	6.5%	261.10	276.77	293.37
Electricity: Basic levy		56.25	67.40	70.00	71.16	71.16	71.16	7.5%	76.51	81.10	85.96
Electricity: Consumption		310.00	339.50	366.66	372.90	372.90	372.90	6.8%	398.38	422.28	447.62
Water: Basic levy											
Water: Consumption		174.50	200.50	224.56	242.25	242.25	242.25	8.8%	263.66	279.48	296.25
Sanitation		104.25	87.25	94.25	150.50	150.50	150.50	7.1%	161.25	170.93	181.18
Refuse removal		120.00	130.00	140.00	155.00	155.00	155.00	9.0%	168.95	179.09	189.83
Other											
sub-total		964.91	1,038.55	1,124.60	1,236.98	1,236.98	1,236.98	7.5%	1,329.85	1,409.64	1,494.22
VAT on Services		107.10	115.45	125.83	138.85	138.85	138.85	#NAME?	160.31	169.93	180.13
Total small household bill:		1,072.01	1,154.00	1,250.43	1,375.83	1,375.83	1,375.83	8.3%	1,490.16	1,579.57	1,674.34
% increase/decrease			7.6%	8.4%	10.0%	-	-		8.3%	6.0%	6.0%

## 1.4 Operating Expenditure Framework

For Merafong City to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty.

The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

Expenditure has been trimmed in areas that will not adversely affect service delivery, or where programmes are underperforming.

The following table is a high level summary of the 2017/18 budget and MTREF (classified per main type of operating expenditure):

**Table 6 Summary of operating expenditure by standard classification item**

GT484 Merafong City - Table A4 Budgeted Financial Performance (revenue and expenditure)								2018/19 Medium Term Revenue & Expenditure Framework		
Description	2014/15	2015/16	2016/17	Current Year 2017/18				Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome			
<b>Expenditure By Type</b>										
Employee related costs	308,899	292,530	287,577	355,853	347,007	347,007	-	380,433	403,259	427,454
Remuneration of councillors	18,762	19,795	19,884	22,050	22,039	22,039		23,361	24,763	26,248
Debt impairment	250,726	227,206	272,961	243,350	243,350	243,350		241,760	256,535	272,722
Depreciation & asset impairment	48,548	43,175	36,599	28,361	28,361	28,361	-	28,361	28,361	28,361
Finance charges	54,338	9,969	23,440	12,400	22,600	22,600		22,600	22,600	22,600
Bulk purchases	341,599	382,314	392,172	442,000	426,501	426,501	-	473,253	501,648	531,747
Other materials	1,343	1,133	1,277	1,247	895	895		913	968	1,026
Contracted services	231,910	121,600	198,398	194,425	182,661	182,661	-	155,223	141,648	151,811
Transfers and subsidies	3,066	1,357	1,774	1,588	1,436	1,436	-	1,465	1,553	1,646
Other expenditure	62,215	47,664	52,651	59,258	56,628	56,628	-	58,621	62,065	48,837
Loss on disposal of PPE										
<b>Total Expenditure</b>	<b>1,321,406</b>	<b>1,146,744</b>	<b>1,286,735</b>	<b>1,360,533</b>	<b>1,331,479</b>	<b>1,331,479</b>	<b>-</b>	<b>1,385,990</b>	<b>1,443,398</b>	<b>1,512,451</b>
<b>Surplus/(Deficit)</b>	<b>(246,606)</b>	<b>(121,765)</b>	<b>(113,028)</b>	<b>(119,985)</b>	<b>(178,969)</b>	<b>(178,969)</b>	<b>-</b>	<b>(184,440)</b>	<b>(186,965)</b>	<b>(191,586)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	164,661	141,697	105,870	129,130	221,268	221,268		182,838	120,475	119,699
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)	(81,945)	19,932	(7,158)	9,145	42,299	42,299	-	(1,602)	(66,490)	(71,887)
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(81,945)</b>	<b>19,932</b>	<b>(7,158)</b>	<b>9,145</b>	<b>42,299</b>	<b>42,299</b>	<b>-</b>	<b>(1,602)</b>	<b>(66,490)</b>	<b>(71,887)</b>
Taxation										
<b>Surplus/(Deficit) after taxation</b>	<b>(81,945)</b>	<b>19,932</b>	<b>(7,158)</b>	<b>9,145</b>	<b>42,299</b>	<b>42,299</b>	<b>-</b>	<b>(1,602)</b>	<b>(66,490)</b>	<b>(71,887)</b>
Attributable to minorities										
<b>Surplus/(Deficit) attributable to municipality</b>	<b>(81,945)</b>	<b>19,932</b>	<b>(7,158)</b>	<b>9,145</b>	<b>42,299</b>	<b>42,299</b>	<b>-</b>	<b>(1,602)</b>	<b>(66,490)</b>	<b>(71,887)</b>
Share of surplus/ (deficit) of associate										
<b>Surplus/ (Deficit) for the year</b>	<b>(81,945)</b>	<b>19,932</b>	<b>(7,158)</b>	<b>9,145</b>	<b>42,299</b>	<b>42,299</b>	<b>-</b>	<b>(1,602)</b>	<b>(66,490)</b>	<b>(71,887)</b>

#### **1.4.1 Employee Related Costs**

The *Salary and Wage Collective Agreement* for the period 01 July 2015 to 31 June 2018 has come to an end. The process is under consultation; therefore, in the absence of other information from the South African Local Government Bargaining Council communication will be provided at a later stage.

It's recommended that an increase of 6% be provided for. Council had already received a notification from the medical aids that they will increase its tariffs by 10%.

Due to the amendments to the mines valuations and council's poor financial situation only critical positions can be filled in 2017/2018.

#### **1.4.2 Councillors Remuneration**

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipality's budget.

#### **1.4.3 Bulk Purchases: Electricity**

The National Energy Regulator of South Africa (NERSA) published their "Municipal Tariff Guideline Increase, Benchmarks and Proposed Timelines for Municipal Tariff Approval Process for the 2018/19 Financial Year" on 28 February 2018.

This is based on a bulk tariff increase for municipalities of 7.32 per cent.

#### **1.4.4 Bulk Purchases: Water**

Rand Water had advised council that they will increase their water tariffs to municipalities by 14.9% from the 1 July 2018.

#### **1.4.5 Debt Impairment**

The provision of debt impairment was determined based on an annual collection rate of 75.00 per cent and the Debt Write-off Policy of Council. For the 2018/19 financial year this amount equates to R241.8 million.

The large tariff increases, and the change of the local economic conditions such as the down turn in the property market, trends in household incomes and unemployment were counterproductive, resulting in higher levels of non-payment and increased bad debts.

Council's average payment levels for the past six months were 68.01%. Council budgeted for a payment level of 75.00% for the 2017/2018 financial year.

Council had conducted an outreach program to promote the payment of services. Council had commenced with serious credit control actions in all areas of Merafong.

A revenue enhancement strategy was developed and the roll out plan has commenced. A no tolerance approach in terms of council's credit control policy will be enforced on non-indigent defaulters.

Defaulters of assessment rates by property owners and farmers must be addressed.

The non-payment of services by consumers is a serious situation. The effect of this is that council is not in a position to service its supplier's accounts on time. In addition council will have to increase the provision for bad debt.

Blyvooruitzicht was placed under liquidation and when the Municipality discontinued the provision of water in mine, the community of Blyvooruitzicht and the Human Rights lawyers obtained an interdict to ensure a continuous provision of water. Municipal Council has approached the court to set aside the interdict. The court had ruled that Council can reduce the water by 40% and the residents must pay council R150 per month.

It's anticipated that the average payment level for 2018/2019 will be 75%

#### **1.4.6 Depreciation**

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R106 million for the 2018/19 financial year.

Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

#### **1.4.7 Finance Charges**

As previously noted, the municipality has reached its prudential limits for borrowing – hence the planned borrowing to finance the capital budget does not result in an increase in finance charges as a percentage of operational expenditure increasing.

A serious concern is that presently interest is being paid on the Eskom and Rand Water overdue accounts. Council cannot service these accounts on due dates.

#### **1.4.8 Contracted Services**

It's a fact that in the past years the management of the vehicles was not effective. Council cannot continue that fleet vehicles are abused and not controlled. A proper needs analysis will have to be performed before any new vehicles can be issued.

Council had reviewed all contracts and where it was possible the contracts were scaled down in line with council's cash flow situation.

A value for money system must be implemented by Supply chain. Council cannot continue to pay exorbitant prices even if it is to support local suppliers

Contracts with service providers need to be looked at and reviewed where possible.

#### **1.4.9 General Expenses**

Council experience serious cash flow constraints and therefore General Expenses will have to be curtailed.

It's recommended that general expenses must grow by 2%. This includes the increase in fuel costs and rising inflation. This will result that we will have to do a zero base budget.

Entertainment, Travel and Subsistence, Attendance of Conferences, Food at meetings cannot be provided for in the 2018/2019 budget,

The management of the fleet and usage of vehicles will have to properly manage.

The management of safety clothes will have to be looked at. A policy must be developed to prevent the demand for different types of clothes by different departments.

A value for money system must be implemented by Supply chain. Council cannot continue to pay exorbitant prices even if it is to support local suppliers.

#### **1.4.10 Repairs and Maintenance**

The classification of Repairs and Maintenance in MsCOA will fall away. The expenditure will be allocated as follows:

- Suppliers and contractors expenditure will be recognized as Contracted services.
- Material and stock used by our own staff will be classified as Material.

Although there will be a reclassification councils must still report on Repairs and Maintenance.

It was planned that repairs and maintenance must grow by 20% per year to ensure that council will extend the life span of the existing assets and not needs to replace them.

Repairs and Maintenance is a high focus area in the country and municipality. The serious situation is affecting service delivery and assets needs to be maintained in order to improve their lifespan.

Due to the serious cash flow situation of council, council will not be in a position the increase the budget by 20%.

The budget for Repairs and Maintenance will grow by 10% based on the approved budget for 2017/2018.

**Table 7 Repairs and Maintenance per Asset Class**

GT484 Merafong City - Table A9 Asset Management										
Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
EXPENDITURE OTHER ITEMS										
Depreciation	7	126,413	121,040	114,464	106,226	106,226	106,226	106,226	106,226	106,226
Repairs and Maintenance by Asset Class	3	33,600	11,760	16,751	37,064	34,096	34,096	39,812	43,793	48,173
Roads Infrastructure		16,622	1,739	2,167	2,200	2,200	2,200	2,569	2,826	3,108
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		2,258	3,534	4,055	7,094	6,927	6,927	8,088	8,897	9,787
Water Supply Infrastructure		2,715	3,007	4,322	9,716	9,713	9,713	11,341	12,476	13,723
Sanitation Infrastructure		6,140	2,602	2,891	11,000	11,000	11,000	12,844	14,129	15,542
Solid Waste Infrastructure		1,096	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		28,831	10,882	13,436	30,010	29,840	29,840	34,843	38,327	42,160
Community Facilities		3,933	877	827	3,544	1,956	1,956	2,283	2,512	2,763
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		3,933	877	827	3,544	1,956	1,956	2,283	2,512	2,763
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		836	-	2,465	2,710	1,800	1,800	2,102	2,312	2,543
Housing		-	-	-	-	-	-	-	-	-
Other Assets		836	-	2,465	2,710	1,800	1,800	2,102	2,312	2,543
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	23	-	-	-	-	-	-
Machinery and Equipment		-	-	-	800	500	500	584	642	706
Transport Assets		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, marine and non-biological animals		-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS		160,013	132,799	131,216	143,290	140,322	140,322	146,038	150,019	154,399
Renewal and upgrading of Existing Assets as % of total capex <i>renewal and upgrading of existing assets as % of capex</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M as a % of PPE		1.1%	0.4%	0.6%	1.2%	1.1%	1.1%	1.3%	1.4%	1.5%
Renewal and upgrading and R&M as a % of PPE		1.0%	0.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	2.0%

### Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Councils Indigent Policy. The target is to register 22 000 or more indigent households during the 2018/19 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 24 MBRR A10 (Basic Service Delivery Measurement)

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

## 1.5 CAPITAL EXPENDITURE

**Table 8 - 2016/17 Medium-term capital budget per vote**

GT484 Merafong City - Table A9 Asset Management										
Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CAPITAL EXPENDITURE										
Total New Assets	1	200,042	152,068	113,958	124,299	217,897	217,897	233,432	118,650	117,719
Roads Infrastructure		152,902	107,851	24,451	16,034	39,431	39,431	29,938	9,491	27,780
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		17,966	21,883	27,759	12,500	42,500	42,500	16,000	27,670	25,955
Water Supply Infrastructure		7,735	8,269	27,155	56,282	92,505	92,505	148,980	25,000	25,540
Sanitation Infrastructure		1,274	-	8,622	2,934	3,203	3,203	16,006	20,000	-
Solid Waste Infrastructure		1,099	-	6,147	8,005	6,620	6,620	1,100	35,000	36,925
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		180,976	138,002	94,134	95,755	184,260	184,260	212,025	117,161	116,200
Community Facilities		7,396	6,110	457	3,674	-	-	3,674	-	-
Sport and Recreation Facilities		2,246	-	-	-	-	-	-	-	-
Community Assets		9,642	6,110	457	3,674	-	-	3,674	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		1,503	-	14,560	23,410	32,178	32,178	16,273	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		1,503	-	14,560	23,410	32,178	32,178	16,273	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		2,192	555	-	-	-	-	-	-	-
Intangible Assets		2,192	555	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		5,729	7,401	4,807	1,460	1,460	1,460	1,460	1,489	1,519
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class		200,042	152,068	113,958	124,299	217,897	217,897	233,432	118,650	117,719

CAPITAL BUDGET 2018/19 TO 2020/21									
Projects		2018-2019	2019-2020	2020-2021	Source of Funding				
<b>Roads and Stormwater</b>									
Khutsong Roads and Stormwater		5,700,000		10,500,000	MIG				
Kokosi Roads and Stormwater		938,331		5,460,000	MIG				
Wedela Ext 3 Roads and Stormwater		6,000,000	4,251,312	6,790,000	MIG				
Kokosi Ext 6 Construction of Roads		2,000,000			MIG				
Upgrade of Access road to Carletonville Landfill Site			5,239,938		MIG				
Access Road to Kokosi new WWTP				5,029,671	MIG				
Bridge over rail Khutsong		15,300,000			Human Settlements Development Grant				
<b>Electricity</b>									
Street Light Merafong Phase 3			8,470,000	13,155,204	MIG				
Khutsong South Electrification Phase 7			8,000,000	12,800,000	Integrated National Electrification Programme (INEP)				
Kokosi Ext 99 Electrification		6,000,000	3,200,000		Integrated National Electrification Programme (INEP)				
Kokosi Ext 6 Electrification		10,000,000	8,000,000		Integrated National Electrification Programme (INEP)				
<b>Waste removal</b>									
Construction of Carletonville Waste Management		16,272,736			MIG				
Rehabilitation of Rooipoort Landfill Site		1,100,000			MIG				
<b>Public Works</b>									
Nil									
<b>LED</b>									
Informal Trading Area Carletonville Phase 2		3,673,917			MIG				
<b>Waste Water</b>									
Welverdiend WWTP (Construction)			35,000,000	36,925,000	Water Services Infrastructure Grant				
Sludge Drying Beds - Kokosi & Khutsong WWT		16,006,116	20,000,000		MIG				
<b>Sanitation</b>									
Nil									
<b>Water</b>									
Replacement of Khutsong Reservoir		55,000,000			Water Services Infrastructure Grant				
Khutsong North Water and Sewer Reticulation		10,000,000	25,000,000	25,540,425	MIG				
Internal Services (Khutsong Ext5 )		52,380,436			Human Settlements Development Grant				
Kokosi Ext 7 Bulk supply		10,264,000			Human Settlements Development Grant				
Pre-Paid meters		21,336,000			Human Settlements Development Grant				
Furniture and Fittings		1,460,000	1,489,200	1,518,984	Capital out of Revenue				
		<b>233,431,536</b>	<b>118,650,450</b>	<b>117,719,284</b>					

For 2018/19 an amount of R233.4 Million has been appropriated for the development of infrastructure which represents 99 per cent of the total capital budget.



**Table 9 Capital Transfers and Grant Receipts**

GT484 Merafong City - Supporting Table SA18 Transfers and grant receipts										
Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Capital Transfers and Grants</b>										
National Government:		67,929	70,769	131,585	97,428	95,428	95,428	135,938	120,475	119,699
Municipal Infrastructure Grant		57,929	56,008	52,519	67,428	65,428	65,428	64,938	66,275	69,974
National Electrification Programme		10,000	10,000	15,000	10,000	10,000	10,000	16,000	19,200	12,800
Department of Sports, arts, culture and recreation				-	20,000	20,000	20,000	55,000	35,000	36,925
Department of Water and Sanitation				8,000						
Energy Efficiency and Demand Side Management				-						
Disaster Grant				36,067						
Municipal Water Infrastructure grant			4,761	20,000						
Provincial Government:		39,727	68,796	26,282	26,282	84,228	84,228	46,900	-	-
Human Settlement Grant		39,727	63,896	26,282	26,282	84,228	84,228	46,900		
Dept Water and Sanitation			4,900							
District Municipality:		-	-	-	-	-	-	-	-	-
HIV Programme										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Capital Transfers	5	107,656	139,566	157,867	123,710	179,656	179,656	182,838	120,475	119,699
TOTAL RECEIPTS OF TRANSFERS		386,022	342,995	420,277	372,249	419,237	419,237	407,908	342,468	344,447

As can be seen from the table above the Municipal Infrastructure Grant has decreased over the past five years. It's for the first year that there is an increase in the Municipal Infrastructure Grant.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

## 1.6 Annual Budget Tables - Parent Municipality

The following 20 pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2017/18 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

**Table 10 MBRR Table A1 - Budget Summary**

GT484 Merafong City - Table A1 Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	142,591	150,504	161,560	176,768	170,883	170,883	-	185,386	196,509	208,299
Service charges	527,333	576,109	597,388	703,724	609,046	609,046	-	655,291	694,609	736,285
Investment revenue	8,194	5,602	7,318	2,786	16,120	16,120	-	6,500	6,500	6,500
Transfers recognised - operational	324,708	205,367	278,087	248,539	239,910	239,910	-	225,570	222,285	225,058
Other own revenue	71,973	87,397	129,354	108,731	116,551	116,551	-	128,803	136,531	144,723
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1,074,800</b>	<b>1,024,979</b>	<b>1,173,706</b>	<b>1,240,549</b>	<b>1,152,510</b>	<b>1,152,510</b>	<b>-</b>	<b>1,201,550</b>	<b>1,256,434</b>	<b>1,320,865</b>
Employee costs	308,899	292,530	287,577	355,853	347,007	347,007	-	380,433	403,259	427,454
Remuneration of councillors	18,762	19,795	19,884	22,050	22,039	22,039	-	23,361	24,763	26,248
Depreciation & asset impairment	48,548	43,175	36,599	28,361	28,361	28,361	-	28,361	28,361	28,361
Finance charges	54,338	9,969	23,440	12,400	22,600	22,600	-	22,600	22,600	22,600
Materials and bulk purchases	342,942	383,447	393,449	443,248	427,397	427,397	-	474,165	502,615	532,772
Transfers and grants	3,066	1,357	1,774	1,588	1,436	1,436	-	1,465	1,553	1,646
Other expenditure	544,852	396,470	524,010	497,033	482,639	482,639	-	455,604	460,248	473,369
<b>Total Expenditure</b>	<b>1,321,406</b>	<b>1,146,744</b>	<b>1,286,735</b>	<b>1,360,533</b>	<b>1,331,479</b>	<b>1,331,479</b>	<b>-</b>	<b>1,385,990</b>	<b>1,443,398</b>	<b>1,512,451</b>
<b>Surplus/(Deficit)</b>	<b>(246,606)</b>	<b>(121,765)</b>	<b>(113,028)</b>	<b>(119,985)</b>	<b>(178,969)</b>	<b>(178,969)</b>	<b>-</b>	<b>(184,440)</b>	<b>(186,965)</b>	<b>(191,586)</b>
Transfers and subsidies - capital (monetary allocations)	164,661	141,697	105,870	129,130	221,268	221,268	-	182,838	120,475	119,699
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(81,945)</b>	<b>19,932</b>	<b>(7,158)</b>	<b>9,145</b>	<b>42,299</b>	<b>42,299</b>	<b>-</b>	<b>(1,602)</b>	<b>(66,490)</b>	<b>(71,887)</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>(81,945)</b>	<b>19,932</b>	<b>(7,158)</b>	<b>9,145</b>	<b>42,299</b>	<b>42,299</b>	<b>-</b>	<b>(1,602)</b>	<b>(66,490)</b>	<b>(71,887)</b>
<b>Capital expenditure &amp; funds sources</b>										
Capital expenditure	200,042	152,068	113,958	124,299	217,897	217,897	-	233,432	118,650	117,719
Transfers recognised - capital	164,496	141,697	92,869	120,339	213,937	213,937	-	231,972	117,161	116,200
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	23,389	10,051	12,838	2,500	2,500	2,500	-	-	-	-
Internally generated funds	12,158	320	8,252	1,460	1,460	1,460	-	1,460	1,489	1,519
<b>Total sources of capital funds</b>	<b>200,042</b>	<b>152,068</b>	<b>113,958</b>	<b>124,299</b>	<b>217,897</b>	<b>217,897</b>	<b>-</b>	<b>233,432</b>	<b>118,650</b>	<b>117,719</b>
<b>Financial position</b>										
Total current assets	355,701	333,818	468,612	301,151	301,151	301,151	-	262,901	262,901	262,901
Total non current assets	2,996,926	3,029,977	3,022,715	2,989,658	3,149,795	3,149,795	-	3,134,189	3,146,614	3,156,588
Total current liabilities	400,710	422,186	642,263	387,605	485,498	485,498	-	433,244	512,158	594,020
Total non current liabilities	250,647	218,744	211,223	189,925	189,925	189,925	-	189,925	189,925	189,925
Community wealth/Equity	2,701,270	2,722,865	2,637,842	2,713,279	2,775,524	2,775,524	-	2,773,922	2,707,432	2,635,544
<b>Cash flows</b>										
Net cash from (used) operating	71,033	126,292	231,193	32,087	63,440	63,440	-	35,099	(29,020)	(33,076)
Net cash from (used) investing	(200,041)	(142,102)	(103,987)	(124,299)	(217,897)	(217,897)	-	(233,432)	(118,650)	(117,719)
Net cash from (used) financing	11,010	14,651	(5,552)	(4,888)	(4,888)	(4,888)	-	4,888	4,888	4,888
<b>Cash/cash equivalents at the year end</b>	<b>85,948</b>	<b>84,789</b>	<b>206,444</b>	<b>(353,698)</b>	<b>(415,943)</b>	<b>(415,943)</b>	<b>-</b>	<b>(609,387)</b>	<b>(752,170)</b>	<b>(898,078)</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	97,219	88,960	206,444	(256,899)	(354,791)	(354,791)	-	(299,924)	(378,839)	(460,700)
Application of cash and investments	90,254	163,311	379,822	(161,243)	(154,577)	(154,577)	-	(178,995)	(175,105)	(172,799)
<b>Balance - surplus (shortfall)</b>	<b>6,965</b>	<b>(74,351)</b>	<b>(173,378)</b>	<b>(95,656)</b>	<b>(200,215)</b>	<b>(200,215)</b>	<b>-</b>	<b>(120,930)</b>	<b>(203,734)</b>	<b>(287,902)</b>
<b>Asset management</b>										
Asset register summary (WDV)	2,985,455	3,025,805	3,022,715	2,989,658	3,149,795	3,149,795	-	3,134,189	3,146,614	3,156,588
Depreciation	126,413	121,040	114,464	106,226	106,226	106,226	-	106,226	106,226	106,226
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	33,600	11,760	16,751	37,064	34,096	34,096	-	39,812	43,793	48,173
<b>Free services</b>										
Cost of Free Basic Services provided	2,954	6,430	8,049	6,755	6,994	6,994	32,179	32,179	34,110	36,157
Revenue cost of free services provided	211,881	157,742	147,186	241,240	231,795	231,795	164,985	164,985	177,082	190,116
<b>Households below minimum service level</b>										
Water:	-	-	-	1	1	1	1	1	1	1
Sanitation/sewerage:	0	0	0	1	1	1	1	1	1	1
Energy:	-	-	-	67	67	67	67	67	67	67
Refuse:	59	59	59	17	17	17	17	17	17	17

## **Explanatory notes to MBRR Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the City's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

**Table 11 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

GT484 Merafong City - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1									
<b>Revenue - Functional</b>										
<i>Governance and administration</i>		406,329	406,124	457,960	433,039	446,841	446,841	500,266	513,684	550,722
Executive and council		4,670	3,311	5,122	2,205	1,555	1,555	1,648	1,747	1,852
Finance and administration		401,659	402,813	452,839	430,834	445,286	445,286	498,618	511,937	548,870
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		139,680	53,379	59,158	126,851	118,044	118,044	66,726	71,028	58,118
Community and social services		8,259	10,782	13,849	16,131	16,264	16,264	15,804	17,051	902
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		24,970	25,014	45,309	45,801	46,306	46,306	50,922	53,978	57,216
Housing		106,451	17,584	-	64,919	55,474	55,474	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		173,291	144,884	108,583	131,996	224,581	224,581	185,165	121,983	121,297
Planning and development		173,291	144,884	108,583	131,996	224,581	224,581	185,165	121,983	121,297
Road transport		-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		565,967	603,451	637,210	721,480	629,094	629,094	693,406	735,010	779,111
Energy sources		221,153	254,155	264,665	287,444	253,724	253,724	267,574	283,629	300,647
Water management		237,987	253,144	259,072	315,033	260,155	260,155	300,321	318,340	337,440
Waste water management		33,799	38,685	39,051	52,389	49,797	49,797	54,175	57,426	60,871
Waste management		73,027	57,467	74,422	66,614	65,417	65,417	71,335	75,616	80,152
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	2	1,285,267	1,207,838	1,262,912	1,413,365	1,418,558	1,418,558	1,445,563	1,441,706	1,509,249
<b>Expenditure - Functional</b>										
<i>Governance and administration</i>		459,094	409,291	472,403	471,552	473,369	473,369	517,054	519,382	543,056
Executive and council		137,276	76,389	77,905	86,807	82,864	82,864	88,633	93,951	99,588
Finance and administration		308,697	329,395	391,551	381,146	386,825	386,825	424,180	420,935	438,702
Internal audit		13,122	3,506	2,947	3,599	3,680	3,680	4,241	4,496	4,765
<i>Community and public safety</i>		218,905	109,617	106,179	195,253	177,551	177,551	124,766	132,621	123,482
Community and social services		37,213	36,877	23,049	36,537	31,432	31,432	33,962	36,299	21,305
Sport and recreation		30,593	23,748	20,242	24,800	22,358	22,358	22,651	24,054	25,546
Public safety		51,985	24,938	58,829	64,129	63,797	63,797	63,333	67,149	71,196
Housing		98,868	23,997	4,048	69,787	59,963	59,963	4,820	5,119	5,436
Health		245	58	11	-	-	-	-	-	-
<i>Economic and environmental services</i>		108,955	88,864	107,528	58,086	57,448	57,448	61,652	63,565	67,525
Planning and development		25,611	19,409	17,342	22,480	21,866	21,866	22,936	22,401	23,752
Road transport		83,344	69,455	90,186	35,606	35,582	35,582	38,716	41,165	43,773
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		658,122	657,999	661,825	757,193	745,756	745,756	821,557	870,492	924,938
Energy sources		223,562	254,684	269,731	334,110	335,082	335,082	357,338	379,103	402,206
Water management		352,396	299,579	298,925	339,019	325,428	325,428	361,003	382,648	406,105
Waste water management		35,483	41,996	31,704	29,277	29,224	29,224	33,514	34,858	38,310
Waste management		46,682	61,741	61,464	54,787	56,022	56,022	69,701	73,883	78,316
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	3	1,445,077	1,265,771	1,347,935	1,482,085	1,454,124	1,454,124	1,525,030	1,586,061	1,659,001
<b>Surplus/(Deficit) for the year</b>		(159,810)	(57,933)	(85,023)	(68,720)	(35,566)	(35,566)	(79,467)	(144,355)	(149,752)

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 14 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions and Waste management function.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services



**Table 12 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

GT484 Merafong City - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue by Vote</b>	1									
Municipal Manager		4,670	3,311	5,122	2,205	1,555	1,555	1,648	1,747	1,852
Finance		398,705	401,111	451,559	305,448	442,241	442,241	473,733	508,204	544,914
Economic Development and Planning		2,467	912	791	898	1,083	1,083	1,148	1,217	1,290
Chief Operating Officer		-	-	-	-	-	-	-	-	-
Infrastructure Development		664,175	689,636	669,932	895,745	786,689	786,689	827,485	780,198	819,005
Community Services		106,753	94,007	133,400	140,561	127,887	127,887	137,955	146,532	138,151
Housing		107,237	18,403	1,242	66,223	56,754	56,754	1,315	1,394	1,478
Shared Services		1,259	459	865	2,285	2,350	2,350	2,277	2,414	2,558
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	<b>1,285,267</b>	<b>1,207,838</b>	<b>1,262,912</b>	<b>1,413,365</b>	<b>1,418,558</b>	<b>1,418,558</b>	<b>1,445,563</b>	<b>1,441,706</b>	<b>1,509,249</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Municipal Manager		122,649	62,538	64,388	67,829	63,579	63,579	71,614	75,862	80,414
Finance		183,809	197,886	271,955	246,868	253,579	253,579	263,779	273,447	282,247
Economic Development and Planning		16,138	12,733	12,163	14,140	14,506	14,506	15,417	16,348	17,337
Chief Operating Officer		19,277	9,328	8,605	10,876	13,609	13,609	12,534	13,286	14,083
Infrastructure Development		750,526	718,632	726,762	756,122	748,247	748,247	828,635	853,691	907,360
Community Services		184,524	157,180	185,133	210,058	196,766	196,766	215,617	228,914	225,543
Housing		100,072	25,243	5,796	71,542	61,688	61,688	6,607	7,012	7,443
Shared Services		68,081	82,231	73,132	104,649	102,150	102,150	110,827	117,501	124,577
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	<b>1,445,077</b>	<b>1,265,771</b>	<b>1,347,935</b>	<b>1,482,085</b>	<b>1,454,124</b>	<b>1,454,124</b>	<b>1,525,030</b>	<b>1,586,061</b>	<b>1,659,001</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>(159,810)</b>	<b>(57,933)</b>	<b>(85,023)</b>	<b>(68,720)</b>	<b>(35,566)</b>	<b>(35,566)</b>	<b>(79,467)</b>	<b>(144,355)</b>	<b>(149,752)</b>

**Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

**Table 13 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

GT484 Merafong City - Table A4 Budgeted Financial Performance (revenue and expenditure)

Table 17: Budgeted Financial Performance (Revenue and Expenditure)									2018/19 Medium Term Revenue & Expenditure Framework		
Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome			
Revenue By Source											
Property rates	2	142,591	150,504	161,560	176,768	170,883	170,883	-	185,386	196,509	208,299
Service charges - electricity revenue	2	215,672	242,703	257,857	295,220	258,085	258,085	-	273,707	290,129	307,537
Service charges - water revenue	2	236,119	252,419	256,785	312,717	258,632	258,632	-	294,017	311,658	330,358
Service charges - sanitation revenue	2	25,735	28,798	27,843	31,651	30,574	30,574	-	29,090	30,836	32,686
Service charges - refuse revenue	2	49,807	52,189	54,903	64,137	61,755	61,755	-	58,477	61,985	65,705
Service charges - other											
Rental of facilities and equipment		1,162	1,266	2,442	1,586	2,207	2,207		2,340	2,480	2,629
Interest earned - external investments		8,194	5,602	7,318	2,786	16,120	16,120		6,500	6,500	6,500
Interest earned - outstanding debtors		43,477	54,674	73,429	79,690	87,650	87,650		93,004	98,585	104,500
Dividends received						-	-				
Fines, penalties and forfeits		17,139	13,525	30,950	5,765	10,222	10,222		10,836	11,486	12,175
Licences and permits		8,324	13,054	16,615	14,397	10,417	10,417		16,397	17,381	18,424
Agency services						-	-				
Transfers and subsidies		324,708	205,367	278,087	248,539	239,910	239,910		225,570	222,285	225,058
Other revenue	2	1,870	4,879	5,917	7,293	6,054	6,054	-	6,226	6,599	6,995
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		1,074,800	1,024,979	1,173,706	1,240,549	1,152,510	1,152,510	-	1,201,550	1,256,434	1,320,865
Expenditure By Type											
Employee related costs	2	308,899	292,530	287,577	355,853	347,007	347,007	-	380,433	403,259	427,454
Remuneration of councillors		18,762	19,795	19,884	22,050	22,039	22,039		23,361	24,763	26,248
Debt impairment	3	250,726	227,206	272,961	243,350	243,350	243,350		241,760	256,535	272,722
Depreciation & asset impairment	2	48,548	43,175	36,599	28,361	28,361	28,361	-	28,361	28,361	28,361
Finance charges		54,338	9,969	23,440	12,400	22,600	22,600		22,600	22,600	22,600
Bulk purchases	2	341,599	382,314	392,172	442,000	426,501	426,501	-	473,253	501,648	531,747
Other materials	8	1,343	1,133	1,277	1,247	895	895		913	968	1,026
Contracted services		231,910	121,600	198,398	194,425	182,661	182,661	-	155,223	141,648	151,811
Transfers and subsidies		3,066	1,357	1,774	1,588	1,436	1,436	-	1,465	1,553	1,646
Other expenditure	4, 5	62,215	47,664	52,651	59,258	56,628	56,628	-	58,621	62,065	48,837
Loss on disposal of PPE											
Total Expenditure		1,321,406	1,146,744	1,286,735	1,360,533	1,331,479	1,331,479	-	1,385,990	1,443,398	1,512,451
Surplus/(Deficit)											
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		(246,606)	(121,765)	(113,028)	(119,985)	(178,969)	(178,969)	-	(184,440)	(186,965)	(191,586)
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	164,661	141,697	105,870	129,130	221,268	221,268		182,838	120,475	119,699
Transfers and subsidies - capital (in-kind - all)											
Surplus/(Deficit) after capital transfers & contributions		(81,945)	19,932	(7,158)	9,145	42,299	42,299	-	(1,602)	(66,490)	(71,887)
Taxation											
Surplus/(Deficit) after taxation		(81,945)	19,932	(7,158)	9,145	42,299	42,299	-	(1,602)	(66,490)	(71,887)
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		(81,945)	19,932	(7,158)	9,145	42,299	42,299	-	(1,602)	(66,490)	(71,887)
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		(81,945)	19,932	(7,158)	9,145	42,299	42,299	-	(1,602)	(66,490)	(71,887)

**Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Total operating revenue has increased by 4.26 per cent or R49,04 million for the 2018/19 financial year when compared to the 2017/18 Adjustments Budget. For the two outer years, operational revenue will increase by R54.88 and R64.43 Million respectively, equating to a total increase in revenue of R168.4 million over the MTREF when compared to the 2017/18 financial year.

2. Total operating expenditure for the 2018/19 financial year has been appropriated at R1,463.9 billion and translates into a budgeted deficit of R262.8 million. When compared to the 2017/18 Adjustments Budget, operational expenditure has increased by R54.5 Million or 3.87 per cent in the 2018/19 budget and increase by R51.4 and Million R69.1 Million for each of the respective outer years of the MTREF. The operating deficit for the two outer years will increase for the two outer years. These deficits will be funded from the accumulated surpluses.
3. The capital budget of R233.4 Million for 2018/19 is 7.13 per cent more when compared to the 2017/18 Adjustment Budget. Note that the Council has reached its prudential borrowing limits and so there is no scope to increase these borrowing levels over the medium-term.



**Table 14 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

GT484 Merafong City - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Municipal Manager		-	-	-	-	-	-	-	-	-	-
Finance		-	-	-	-	-	-	-	-	-	-
Economic Development and Planning		-	-	-	-	-	-	-	-	-	-
Chief Operating Officer		-	-	-	-	-	-	-	-	-	-
Infrastructure Development		-	-	-	-	-	-	-	-	-	-
Community Services		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Shared Services		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure to be appropriated</b>	2										
Municipal Manager		360	-	-	-	-	-	-	-	-	-
Finance		1,652	320	3,387	1,460	1,460	1,460	-	1,460	1,489	1,519
Economic Development and Planning		42	1,789	457	3,674	-	-	-	3,674	-	-
Chief Operating Officer		-	-	-	-	-	-	-	-	-	-
Infrastructure Development		179,877	138,002	102,546	87,749	181,940	181,940	-	228,298	117,161	116,200
Community Services		5,177	11,956	7,568	-	-	-	-	-	-	-
Housing		-	-	-	31,415	34,498	34,498	-	-	-	-
Shared Services		12,933	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		200,042	152,068	113,958	124,299	217,897	217,897	-	233,432	118,650	117,719
<b>Total Capital Expenditure - Vote</b>		200,042	152,068	113,958	124,299	217,897	217,897	-	233,432	118,650	117,719
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		14,946	320	17,946	1,460	1,460	1,460	-	1,460	1,489	1,519
Executive and council		360	-	-	-	-	-	-	-	-	-
Finance and administration		14,586	320	17,946	1,460	1,460	1,460	-	1,460	1,489	1,519
Internal audit		-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		5,177	8,645	1,420	31,415	38,798	38,798	-	17,373	-	-
Community and social services		3,561	8,645	1,420	31,415	38,798	38,798	-	17,373	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		1,579	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		37	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		152,944	109,640	24,908	19,707	39,431	39,431	-	33,612	9,491	27,780
Planning and development		42	1,789	457	3,674	-	-	-	3,674	-	-
Road transport		152,902	107,851	24,451	16,034	39,431	39,431	-	29,938	9,491	27,780
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		26,975	33,462	69,683	71,716	138,208	138,208	-	180,987	107,670	88,421
Energy sources		17,966	21,883	27,759	12,500	42,500	42,500	-	16,000	27,670	25,955
Water management		7,735	8,269	27,155	56,282	92,505	92,505	-	148,980	25,000	25,540
Waste water management		1,274	-	8,622	2,934	3,203	3,203	-	16,006	55,000	36,925
Waste management		-	3,311	6,147	-	-	-	-	-	-	-
<b>Other</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	3	200,042	152,068	113,958	124,299	217,897	217,897	-	233,432	118,650	117,719
<b>Funded by:</b>											
National Government		84,510	63,011	58,623	94,057	112,474	112,474	-	132,691	117,161	116,200
Provincial Government		79,985	74,188	34,246	26,282	101,463	101,463	-	99,280	-	-
District Municipality		-	4,499	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	164,496	141,697	92,869	120,339	213,937	213,937	-	231,972	117,161	116,200
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	23,389	10,051	12,838	2,500	2,500	2,500	-	-	-	-
Internally generated funds		12,158	320	8,252	1,460	1,460	1,460	-	1,460	1,489	1,519
<b>Total Capital Funding</b>	7	200,042	152,068	113,958	124,299	217,897	217,897	-	233,432	118,650	117,719

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R233.4 million for the 2018/19 financial year and decreases over the MTREF at levels of R118.6 million and to R117.7 million respectively for the two outer years.
4. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from current year surpluses. For 2018/19, capital transfers totals R231.9 million decreasing to R116.2 million by 2020/21.

**Table 15 MBRR Table A6 - Budgeted Financial Position**

GT484 Merafong City - Table A6 Budgeted Financial Position

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
ASSETS											
Current assets											
Cash		85,948	84,789	206,444							
Call investment deposits	1	-	-	-	-	-	-	-	-	-	-
Consumer debtors	1	157,998	188,357	197,499	242,493	242,493	242,493	-	198,232	198,232	198,232
Other debtors		87,973	29,822	39,490	27,809	27,809	27,809		39,490	39,490	39,490
Current portion of long-term receivables		2									
Inventory	2	23,781	30,849	25,180	30,849	30,849	30,849		25,180	25,180	25,180
Total current assets		355,701	333,818	468,612	301,151	301,151	301,151	-	262,901	262,901	262,901
Non current assets											
Long-term receivables		2									
Investments		11,272	4,171								
Investment property											
Investment in Associate											
Property, plant and equipment	3	2,982,275	3,022,834	3,020,211	2,986,883	3,147,020	3,147,020	-	3,131,882	3,144,306	3,154,280
Agricultural											
Biological											
Intangible		3,180	2,775	2,308	2,775	2,775	2,775		2,308	2,308	2,308
Other non-current assets		198	197	197							
Total non current assets		2,996,926	3,029,977	3,022,715	2,989,658	3,149,795	3,149,795	-	3,134,189	3,146,614	3,156,588
TOTAL ASSETS		3,352,627	3,363,794	3,491,328	3,290,809	3,450,946	3,450,946	-	3,397,091	3,409,515	3,419,489
LIABILITIES											
Current liabilities											
Bank overdraft	1				256,899	354,791	354,791		299,924	378,839	460,700
Borrowing	4	11,645	5,464	5,987	5,464	5,464	5,464	-	5,464	5,464	5,464
Consumer deposits		12,485	12,687	13,664	12,687	12,687	12,687		12,687	12,687	12,687
Trade and other payables	4	348,370	374,803	591,370	89,169	89,169	89,169	-	89,169	89,169	89,169
Provisions		28,210	29,232	31,242	23,387	23,387	23,387		26,000	26,000	26,000
Total current liabilities		400,710	422,186	642,263	387,605	485,498	485,498	-	433,244	512,158	594,020
Non current liabilities											
Borrowing		48,049	68,878	64,074	63,990	63,990	63,990	-	63,990	63,990	63,990
Provisions		202,598	149,866	147,149	125,935	125,935	125,935	-	125,935	125,935	125,935
Total non current liabilities		250,647	218,744	211,223	189,925	189,925	189,925	-	189,925	189,925	189,925
TOTAL LIABILITIES		651,357	640,930	853,486	577,530	675,423	675,423	-	623,169	702,083	783,945
NET ASSETS	5	2,701,270	2,722,865	2,637,842	2,713,279	2,775,524	2,775,524	-	2,773,922	2,707,432	2,635,544
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		2,701,270	2,722,865	2,637,842	2,713,279	2,775,524	2,775,524		2,773,922	2,707,432	2,635,544
Reserves	4	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	2,701,270	2,722,865	2,637,842	2,713,279	2,775,524	2,775,524	-	2,773,922	2,707,432	2,635,544

**Explanatory notes to Table A6 - Budgeted Financial Position**

- Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
- This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 16 MBRR Table A7 - Budgeted Cash Flow Statement**

GT484 Merafong City - Table A7 Budgeted Cash Flows

Description		Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Property rates			147,169	148,078	121,829	132,576	126,691	126,691		139,039	147,382	156,225
Service charges			412,340	424,397	471,649	539,009	450,465	450,465		491,468	520,957	552,214
Other revenue			40,231	26,314	46,570	58,208	62,108	62,108		255,142	253,632	258,285
Government - operating	1		311,562	198,657	322,721	251,910	242,953	242,953		6,226	6,599	6,995
Government - capital	1		72,208	144,369	92,869	120,339	213,937	213,937		182,838	120,475	119,699
Interest			41,620	11,070	12,842	62,553	75,888	75,888		76,253	80,438	84,875
Dividends							-	-		-	-	-
Payments												
Suppliers and employees			(887,158)	(816,623)	(825,466)	(1,120,109)	(1,083,202)	(1,083,202)		(1,033,182)	(1,072,285)	(1,138,286)
Finance charges			(3,423)	(9,969)	(11,820)	(12,400)	(25,400)	(25,400)		(22,600)	(22,600)	(22,600)
Transfers and Grants	1		(63,516)							(60,086)	(63,618)	(50,483)
NET CASH FROM/(USED) OPERATING ACTIVITIES			71,033	126,292	231,193	32,087	63,440	63,440	-	35,099	(29,020)	(33,076)
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE					5,800					-	-	-
Decrease (Increase) in non-current debtors	2									-	-	-
Decrease (Increase) other non-current receivables										-	-	-
Decrease (Increase) in non-current investments			(574)	7,100	4,171					-	-	-
Payments												
Capital assets			(199,468)	(149,202)	(113,958)	(124,299)	(217,897)	(217,897)		(233,432)	(118,650)	(117,719)
NET CASH FROM/(USED) INVESTING ACTIVITIES			(200,041)	(142,102)	(103,987)	(124,299)	(217,897)	(217,897)	-	(233,432)	(118,650)	(117,719)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans										-	-	-
Borrowing long term/refinancing			21,000	30,300						-	-	-
Increase (decrease) in consumer deposits				3						-	-	-
Payments												
Repayment of borrowing			(9,990)	(15,652)	(5,552)	(4,888)	(4,888)	(4,888)		4,888	4,888	4,888
NET CASH FROM/(USED) FINANCING ACTIVITIES			11,010	14,651	(5,552)	(4,888)	(4,888)	(4,888)	-	4,888	4,888	4,888
NET INCREASE/ (DECREASE) IN CASH HELD												
	2		(117,998)	(1,159)	121,654	(97,100)	(159,345)	(159,345)	-	(193,445)	(142,783)	(145,907)
Cash/cash equivalents at the year begin:	2		203,946	85,948	84,789	(256,598)	(256,598)	(256,598)		(415,943)	(609,387)	(752,170)
Cash/cash equivalents at the year end:	2		85,948	84,789	206,444	(353,698)	(415,943)	(415,943)	-	(609,387)	(752,170)	(898,078)

**Table 17 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

GT484 Merafong City - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	85,948	84,789	206,444	(353,698)	(415,943)	(415,943)	-	(609,387)	(752,170)	(898,078)
Other current investments > 90 days		(0)	0	0	96,799	61,151	61,151	-	309,463	373,332	437,377
Non current assets - Investments	1	11,272	4,171	-	-	-	-	-	-	-	-
Cash and investments available:		97,219	88,960	206,444	(256,899)	(354,791)	(354,791)	-	(299,924)	(378,839)	(460,700)
Application of cash and investments											
Unspent conditional transfers		17,835	15,123	49,306	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	72,419	148,189	330,516	(161,243)	(154,577)	(154,577)	-	(178,995)	(175,105)	(172,799)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		90,254	163,311	379,822	(161,243)	(154,577)	(154,577)	-	(178,995)	(175,105)	(172,799)
Surplus(shortfall)		6,965	(74,351)	(173,378)	(95,656)	(200,215)	(200,215)	-	(120,930)	(203,734)	(287,902)

### **Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality decrease from the 2014/15 financial year to 2018/19 period owing directly to a net decrease in cash.
4. Cash and cash equivalents totals R609.4 Million overdraft as at the end of the 2018/19 financial year and increases to R898.1 Million by 2020/21.

### **Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. As can be seen the budget is not funded as the deficit of R120 Million in 2018/19 will increase to a deficit of R287.9 million by 2020.21.

**Table 18 MBRR Table A9 - Asset Management**

GT484 Merafong City - Table A9  
Asset Management

Description  R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>CAPITAL EXPENDITURE</b>										
<b><u>Total New Assets</u></b>	1	200,042	152,068	113,958	124,299	217,897	217,897	233,432	118,650	117,719
<i>Roads Infrastructure</i>		152,902	107,851	24,451	16,034	39,431	39,431	29,938	9,491	27,780
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		17,966	21,883	27,759	12,500	42,500	42,500	16,000	27,670	25,955
<i>Water Supply Infrastructure</i>		7,735	8,269	27,155	56,282	92,505	92,505	148,980	25,000	25,540
<i>Sanitation Infrastructure</i>		1,274	-	8,622	2,934	3,203	3,203	16,006	20,000	-
<i>Solid Waste Infrastructure</i>		1,099	-	6,147	8,005	6,620	6,620	1,100	35,000	36,925
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		<b>180,976</b>	<b>138,002</b>	<b>94,134</b>	<b>95,755</b>	<b>184,260</b>	<b>184,260</b>	<b>212,025</b>	<b>117,161</b>	<b>116,200</b>
Community Facilities		7,396	6,110	457	3,674	-	-	3,674	-	-
Sport and Recreation Facilities		2,246	-	-	-	-	-	-	-	-
<b>Community Assets</b>		<b>9,642</b>	<b>6,110</b>	<b>457</b>	<b>3,674</b>	<b>-</b>	<b>-</b>	<b>3,674</b>	<b>-</b>	<b>-</b>
<b>Heritage Assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Operational Buildings		1,503	-	14,560	23,410	32,178	32,178	16,273	-	-
Housing		-	-	-	-	-	-	-	-	-
<b>Other Assets</b>		<b>1,503</b>	<b>-</b>	<b>14,560</b>	<b>23,410</b>	<b>32,178</b>	<b>32,178</b>	<b>16,273</b>	<b>-</b>	<b>-</b>
<b>Biological or Cultivated Assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		2,192	555	-	-	-	-	-	-	-
<b>Intangible Assets</b>		<b>2,192</b>	<b>555</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		5,729	7,401	4,807	1,460	1,460	1,460	1,460	1,489	1,519
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-

Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-
<b><u>Total Renewal of Existing Assets</u></b>	2	-	-	-	-	-	-	-	-
<i>Roads Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Sanitation Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-
<b>Infrastructure</b>		-	-	-	-	-	-	-	-
Community Facilities		-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-
<b>Community Assets</b>		-	-	-	-	-	-	-	-
<b>Heritage Assets</b>		-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-
<b>Other Assets</b>		-	-	-	-	-	-	-	-
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-
<b>Intangible Assets</b>		-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-
<b><u>Total Upgrading of Existing Assets</u></b>	6	-	-	-	-	-	-	-	-
<i>Roads Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	-	-	-	-	-	-



<i>Water Supply Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Sanitation Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>	-	-	-	-	-	-	-	-	-
Community Facilities	-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities	-	-	-	-	-	-	-	-	-
<b>Community Assets</b>	-	-	-	-	-	-	-	-	-
<b>Heritage Assets</b>	-	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
<b>Investment properties</b>	-	-	-	-	-	-	-	-	-
Operational Buildings	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-
<b>Other Assets</b>	-	-	-	-	-	-	-	-	-
<b>Biological or Cultivated Assets</b>	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment	-	-	-	-	-	-	-	-	-
<b>Machinery and Equipment</b>	-	-	-	-	-	-	-	-	-
<b>Transport Assets</b>	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-
<b><u>Total Capital Expenditure</u></b>	4								
<i>Roads Infrastructure</i>	152,902	107,851	24,451	16,034	39,431	39,431	29,938	9,491	27,780
<i>Storm water Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>	17,966	21,883	27,759	12,500	42,500	42,500	16,000	27,670	25,955
<i>Water Supply Infrastructure</i>	7,735	8,269	27,155	56,282	92,505	92,505	148,980	25,000	25,540
<i>Sanitation Infrastructure</i>	1,274	-	8,622	2,934	3,203	3,203	16,006	20,000	-
<i>Solid Waste Infrastructure</i>	1,099	-	6,147	8,005	6,620	6,620	1,100	35,000	36,925
<i>Rail Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-	-

Infrastructure		180,976	138,002	94,134	95,755	184,260	184,260	212,025	117,161	116,200
Community Facilities Sport and Recreation		7,396	6,110	457	3,674	-	-	3,674	-	-
Facilities		2,246	-	-	-	-	-	-	-	-
Community Assets		9,642	6,110	457	3,674	-	-	3,674	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		1,503	-	14,560	23,410	32,178	32,178	16,273	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		1,503	-	14,560	23,410	32,178	32,178	16,273	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		2,192	555	-	-	-	-	-	-	-
Intangible Assets		2,192	555	-	-	-	-	-	-	-
Computer Equipment Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
		5,729	7,401	4,807	1,460	1,460	1,460	1,460	1,489	1,519
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class		200,042	152,068	113,958	124,299	217,897	217,897	233,432	118,650	117,719
ASSET REGISTER SUMMARY - PPE (WDV)	5									
Roads Infrastructure		1,526,424	1,568,095	1,531,058	1,451,761	1,541,697	1,541,697	1,380,981	1,232,289	1,175,561
Storm water Infrastructure						-	-			
Electrical Infrastructure		366,361	371,303	385,404	388,203	418,203	418,203	453,776	461,687	480,460
Water Supply Infrastructure		275,860	286,267	305,267	349,132	385,355	385,355	468,146	605,785	618,310
Sanitation Infrastructure		264,953	253,608	251,433	239,764	240,033	240,033	232,236	235,398	241,270
Solid Waste Infrastructure										
Rail Infrastructure										
Coastal Infrastructure										
Information and Communication Infrastructure										
Infrastructure		2,433,598	2,479,272	2,473,162	2,428,859	2,585,287	2,585,287	2,535,139	2,535,160	2,515,600
Community Facilities Sport and Recreation		530,588	522,749	526,515	537,015	540,723	540,723	575,765	588,753	618,929
Facilities										
Community Assets		530,588	522,749	526,515	537,015	540,723	540,723	575,765	588,753	618,929
Heritage Assets										
Revenue Generating										

Non-revenue Generating		198	197	197	197	197	197	197	197	197
Investment properties		198	197	197	197	197	197	197	197	197
Operational Buildings										
Housing										
Other Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets										
Servitudes										
Licences and Rights		3,378	2,775	2,308	2,775	2,775	2,775	2,275	1,691	1,049
Intangible Assets		3,378	2,775	2,308	2,775	2,775	2,775	2,275	1,691	1,049
Computer Equipment										
Furniture and Office Equipment		17,693	20,813	20,534	20,813	20,813	20,813	20,813	20,813	20,813
Machinery and Equipment										
Transport Assets										
Libraries										
Zoo's, Marine and Non-biological Animals										
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	2,985,455	3,025,805	3,022,715	2,989,658	3,149,795	3,149,795	3,134,189	3,146,614	3,156,588
<b>EXPENDITURE OTHER ITEMS</b>										
<u>Depreciation</u>	7	126,413	121,040	114,464	106,226	106,226	106,226	106,226	106,226	106,226
<u>Repairs and Maintenance by Asset Class</u>	3	33,600	11,760	16,751	37,064	34,096	34,096	39,812	43,793	48,173
Roads Infrastructure		16,622	1,739	2,167	2,200	2,200	2,200	2,569	2,826	3,108
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		2,258	3,534	4,055	7,094	6,927	6,927	8,088	8,897	9,787
Water Supply Infrastructure		2,715	3,007	4,322	9,716	9,713	9,713	11,341	12,476	13,723
Sanitation Infrastructure		6,140	2,602	2,891	11,000	11,000	11,000	12,844	14,129	15,542
Solid Waste Infrastructure		1,096	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		28,831	10,882	13,436	30,010	29,840	29,840	34,843	38,327	42,160
Community Facilities		3,933	877	827	3,544	1,956	1,956	2,283	2,512	2,763
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		3,933	877	827	3,544	1,956	1,956	2,283	2,512	2,763
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		836	-	2,465	2,710	1,800	1,800	2,102	2,312	2,543
Housing		-	-	-	-	-	-	-	-	-
Other Assets		836	-	2,465	2,710	1,800	1,800	2,102	2,312	2,543

Biological or Cultivated Assets	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment	-	-	23	-	-	-	-	-	-
Machinery and Equipment	-	-	-	800	500	500	584	642	706
Transport Assets	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS	160,013	132,799	131,216	143,290	140,322	140,322	146,038	150,019	154,399
<i>Renewal and upgrading of Existing Assets as % of total capex</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Renewal and upgrading of Existing Assets as % of deprecn</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>R&amp;M as a % of PPE</i>	1.1%	0.4%	0.6%	1.2%	1.1%	1.1%	1.3%	1.4%	1.5%
<i>Renewal and upgrading and R&amp;M as a % of PPE</i>	1.0%	0.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	2.0%

#### Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality does not meet both these recommendations.

**Table 19 MBRR Table A10 - Basic Service Delivery Measurement**

GT484 Merafong City - Table A10  
Basic service delivery  
measurement

Description	R e f	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Household service targets</b>	1									
<u>Water:</u>										
Piped water inside dwelling		35,428	35,428	35,428	35,241	35,241	35,241	35,241	35,241	35,241
Piped water inside yard (but not in dwelling)		35,791	35,791	35,791	20,286	20,286	20,286	20,286	20,286	20,286
Using public tap (at least min.service level)	2	25,787	25,787	25,787	7,029	7,029	7,029	7,029	7,029	7,029
Other water supply (at least min.service level)	4	–	–	–	3,393	3,393	3,393	3,393	3,393	3,393
<i>Minimum Service Level and Above sub-total</i>		97,006	97,006	97,006	65,949	65,949	65,949	65,949	65,949	65,949
Using public tap (< min.service level)	3	–	–	–	–	–	–	–	–	–
Other water supply (< min.service level)	4	–	–	–	–	–	–	–	–	–
No water supply		–	–	–	669	669	669	669	669	669
<i>Below Minimum Service Level sub-total</i>		–	–	–	669	669	669	669	669	669
<b>Total number of households</b>	5	97,006	97,006	97,006	66,618	66,618	66,618	66,618	66,618	66,618
<u>Sanitation/sewerage:</u>										
Flush toilet (connected to sewerage)		54,069	54,069	54,069	53,978	53,978	53,978	53,978	53,978	53,978
Flush toilet (with septic tank)		1,300	1,300	1,300	1,391	1,391	1,391	1,391	1,391	1,391
Chemical toilet		–	–	–	424	424	424	424	424	424
Pit toilet (ventilated)		–	–	–	1,524	1,524	1,524	1,524	1,524	1,524
Other toilet provisions (> min.service level)		7,900	7,900	7,900	7,726	7,726	7,726	7,726	7,726	7,726
<i>Minimum Service Level and Above sub-total</i>		63,269	63,269	63,269	65,043	65,043	65,043	65,043	65,043	65,043
Bucket toilet		–	–	–	–	–	–	–	–	–
Other toilet provisions (< min.service level)		102	102	102	673	673	673	673	673	673
No toilet provisions		–	–	–	664	664	664	664	664	664
<i>Below Minimum Service Level sub-total</i>		102	102	102	1,337	1,337	1,337	1,337	1,337	1,337
<b>Total number of households</b>	5	63,371	63,371	63,371	66,380	66,380	66,380	66,380	66,380	66,380
<u>Energy:</u>										
Electricity (at least min.service level)		6,493	6,493	6,493	55,194	55,194	55,194	55,194	55,194	55,194
Electricity - prepaid (min.service level)		14,739	14,739	14,739	–	–	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>		21,232	21,232	21,232	55,194	55,194	55,194	55,194	55,194	55,194
Electricity (< min.service level)		–	–	–	55,194	55,194	55,194	55,194	55,194	55,194
Electricity - prepaid (< min. service level)		–	–	–	216	216	216	216	216	216

Other energy sources		–	–	–	11,208	11,208	11,208	11,208	11,208	11,208
<i>Below Minimum Service Level sub-total</i>		–	–	–	66,618	66,618	66,618	66,618	66,618	66,618
<b>Total number of households</b>	5	21,232	21,232	21,232	121,812	121,812	121,812	121,812	121,812	121,812
<u><b>Refuse:</b></u>										
Removed at least once a week		28,893	28,893	28,893	49,616	49,616	49,616	49,616	49,616	49,616
<i>Minimum Service Level and Above sub-total</i>		28,893	28,893	28,893	49,616	49,616	49,616	49,616	49,616	49,616
Removed less frequently than once a week		–	–	–	3,208	3,208	3,208	3,208	3,208	3,208
Using communal refuse dump		11,604	11,604	11,604	4,129	4,129	4,129	4,129	4,129	4,129
Using own refuse dump		47,659	47,659	47,659	6,218	6,218	6,218	6,218	6,218	6,218
Other rubbish disposal		–	–	–	185	185	185	185	185	185
No rubbish disposal		–	–	–	2,967	2,967	2,967	2,967	2,967	2,967
<i>Below Minimum Service Level sub-total</i>		59,263	59,263	59,263	16,707	16,707	16,707	16,707	16,707	16,707
<b>Total number of households</b>	5	88,156	88,156	88,156	66,323	66,323	66,323	66,323	66,323	66,323
<u><b>Households receiving Free Basic Service</b></u>	7									
Water (6 kilolitres per household per month)		7,839	9,140	12,542	6,000	6,000	6,000	6,000	6,000	6,000
Sanitation (free minimum level service)		7,839	9,140	12,542	6,000	6,000	6,000	6,000	6,000	6,000
Electricity/other energy (50kwh per household per month)		7,839	9,140	12,542	6,000	6,000	6,000	6,000	6,000	6,000
Refuse (removed at least once a week)		7,839	9,140	12,542	6,000	6,000	6,000	6,000	6,000	6,000
<u><b>Cost of Free Basic Services provided - Formal Settlements (R'000)</b></u>	8									
Water (6 kilolitres per indigent household per month)		492	219	358	565	566	566	5,037	5,339	5,660
Sanitation (free sanitation service to indigent households)		594	1,477	1,837	1,686	1,686	1,686	6,178	6,548	6,941
Electricity/other energy (50kwh per indigent household per month)		526	1,644	2,294	1,687	1,687	1,687	8,800	9,328	9,888
Refuse (removed once a week for indigent households)		1,343	3,090	3,559	2,817	3,055	3,055	12,164	12,894	13,668
<u><b>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</b></u>		–	–	–	–	–	–	–	–	–
<b>Total cost of FBS provided</b>		2,954	6,430	8,049	6,755	6,994	6,994	32,179	34,110	36,157
<u><b>Highest level of free service provided per household</b></u>										
Property rates (R value threshold)		65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
Water (kilolitres per household per month)		6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)		6	6	6	6	6	6	6	6	6
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)		200	200	200	200	200	200	200	200	200
<u><b>Revenue cost of subsidised services provided (R'000)</b></u>	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)										
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)		29,370	32,336	43,288	40,589	40,589	40,589	48,709	51,875	55,247

Water (in excess of 6 kilolitres per indigent household per month)		44,574	46,739	42,485	72,631	72,631	72,631	48,858	53,744	59,118
Sanitation (in excess of free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)		44,269	58,766	60,778	63,102	63,102	63,102	67,419	71,464	75,751
Refuse (in excess of one removal a week for indigent households)		-	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates										
Housing - top structure subsidies	6	93,667	19,901	634	64,919	55,474	55,474			
Other										
Total revenue cost of subsidised services provided		211,881	157,742	147,186	241,240	231,795	231,795	164,985	177,082	190,116

### Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The budget provides for 22 000 households to be registered as indigent in 2018/19, and therefore entitled to receiving Free Basic Services.
3. In addition to the Free Basic Services, the Municipality also 'gives' households R164.9 million in free services in 2018/19, and it increases to R190 million in 2020/21. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services.

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the City's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### 2.1.1 Budget Process Overview

The Executive Mayor tabled the Key Deadlines in terms of section 21(1) (b) during August 2017.

Subsequent to the above a budget steering committee was established in terms of Regulation 393. The committee is chaired by the portfolio head of finance.

The needs of the communities, backlogs as identified by the departments, priorities as identified in the Municipal strategic review was the basis of the medium term expenditure framework for 2018/2019 to 2020/2021.

#### 2.1.2 IDP and Service Delivery and Budget Implementation Plan

The Municipality IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the first revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.



The IDP has been taken into a business and financial planning process leading up to the 2018/19 MTREF, based on the approved 2017/18 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2018/19 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year against the 2017/18 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

### **2.1.3 Financial Modelling and Key Planning Drivers**

As part of the compilation of the 2018/19 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2018/19 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2017/18 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 90 and 91 has been taken into consideration in the planning and prioritisation process.

## 2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the City, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the City strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the City's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only

give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2017/18 MTREF and further planning refinements that have directly informed the compilation of the budget:

- Basic Service Delivery
- Municipal Institutional Development and Transformation
- Local Economic Development
- Municipal Financial Viability and Management
- Good Governance and Public Participation
- Integrated Spatial Development Framework

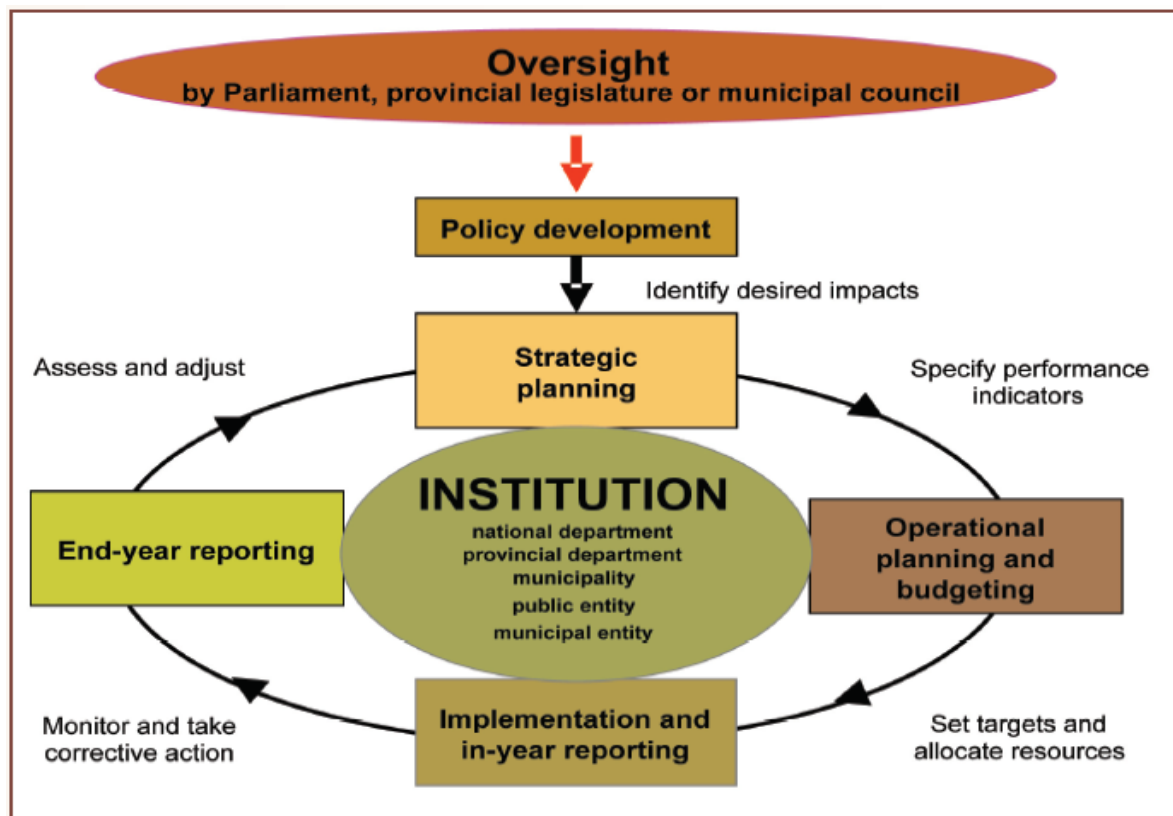
In order to ensure integrated and focused service delivery between all spheres of government it was important for the City to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities.

### 2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the City has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



**Figure 4 Planning, budgeting and reporting cycle**

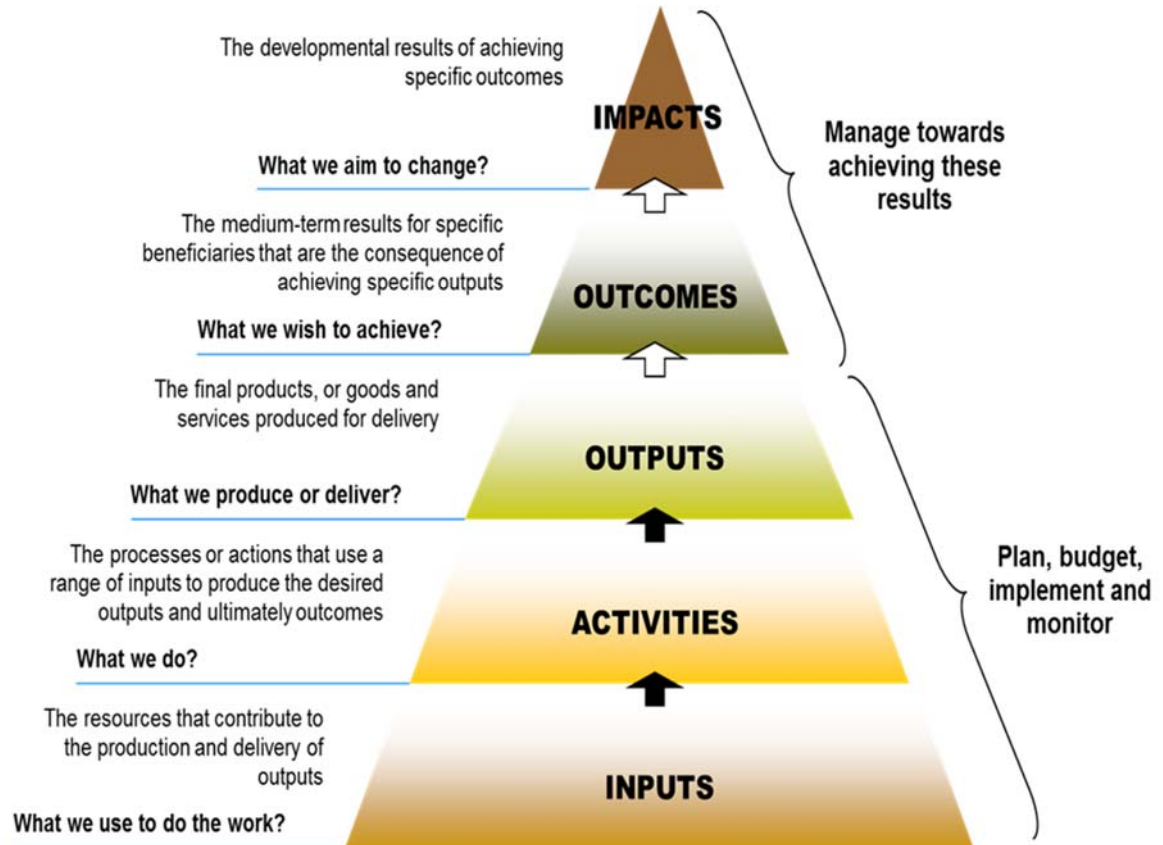
The performance of the City relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The City therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);

- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the City in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury:

**Figure 5 Definition of performance information concepts**



## **2.4 OVERVIEW OF BUDGET RELATED POLICIES**

Budgeting is central to the process of prioritizing for service delivery and the management of the functions of Council. The Municipality's budgeting process is guided and governed by relevant legislation and budget related policies.

Council had in terms of Regulation 7 and 8 of Local Government Gazette 32141 reviewed the budget related policies and bylaws for Merafong Local Council.

The following policies are amended or are new policies that need to be adopted by Council.

The policies were submitted to Management for their inputs.

The following are the key policies that affect or are affected by the annual budget that needs to be reviewed and amended if necessary.

### ***Tariff Policy***

The Municipal Systems Act, Act 32 of 2000, requires a municipality to have a tariff determination policy.

The challenge in setting tariffs lies in striking a balance between maintaining financial sustainability of the relevant departments and entities (and so sustainability of service provision) and ensuring affordability of those services by consumers.

The Municipality Tariff Policy provides a broad framework within which Council can determine fair, transparent and affordable service charges that also promote sustainability of service provision.

This policy is based on principles that address the social, economic and financial imperatives that the process of tariff setting should take account of. In addition to the policy, and for operational purposes, tariff setting methodologies have been developed for the various departments and entities involved in trading services. The methodology specifies the procedure that departments and municipal entities should follow in determining their tariff increases:

### ***Property Rates Policy***

The Municipality has revised its Rates Policy as per the legislative requirements. The new policy provides that properties be rated based on the value of their land and improvements. Sectional title owners will also be drawn into the rates base. A new valuation roll is accordingly in place. The first Rates Policy and General Valuation Roll in terms of the Municipal Property Rates Act (MPRA) were implemented by the Municipality on the 01<sup>st</sup> July 2008.

The policy is designed to ensure equitable treatment by Council in the levying of rates on property owners, including owners under sectional title, as well as other persons who may become liable for the payment of rates. This will affect the rates payable by the Municipality's property owners, and ultimately impact on the Municipality's own revenue stream.

### ***Credit Control and Debt Collections Policy***

The Municipalities Credit Control and Debt Collection Policy provides the procedures and mechanisms for credit control and for the collection of debts. The primary objective of this policy is to ensure that all monies due and payable to the Municipality in respect of rates, fees for services, surcharges on such fees, charges, tariffs, interest which has accrued on any

amounts due and payable in respect of the foregoing and any collection charges are collected efficiently and promptly.

### ***Indigent and Free Basic Services Subsidies Policy***

Council had adopt an Indigent and Free Basic Services Subsidy Policy, which embodies and provide procedures and guidelines for the subsidization of basic services and tariff charges to indigent households in its municipal area.

The object of the Indigent and Free Basic Services Subsidy Policy is to ensure:

- (a) The provision of basic services to the community in a sustainable manner within the financial and administrative capacity of the Municipality of the Council; and
- (b) The provision of procedures and guidelines for the subsidisation of basic service charges to indigent households.

### ***Debt Write Off Policy***

This policy serves to assist management and officials of the municipality to implement and maintain consistent, efficient and effective bad debts management principles. This policy will also assist management to run the municipality in a cost effective manner and yet achieving high levels of revenue collection. The policy also seeks to mitigate the risk of fraudulent writing off of fictitious bad debts.

#### **PURPOSE**

- To ensure that bad debt write-offs are authorized at appropriate levels.
- To ensure that only bona fide bad debts are written off.
- To ensure firmness in writing off bad debts.
- To ensure that debt collection is effective and efficient.
- To ensure that bad debts are kept within reasonable proportions.
- To ensure that the estimated loss resulting from bad debts is provided for during the same period that the income to which it is related is earned, and
- To ensure that the outstanding debtors appear in the monthly balance sheet at net realizable value, since the provision is deducted from the gross amount of the debtors.

### ***Supply Chain Management Policy***

Municipalities are required in terms of section 111 of the MFMA to have a supply chain management policy.

The Municipality has an approved Supply Chain Management Policy, within the framework of the relevant legislation and regulations. The policy ascribes to the following principles:

A procurement system which is fair, equitable, transparent, competitive and cost- effective in terms of Section 217 of the Constitution of South Africa No 108 of 1996;

- As enshrined in Chapter 11 of the Municipal Finance Management Act and its regulations;
- Best practices in supply chain management;

- Uniformity in supply chain management systems between organs of state in all spheres;
- Broad Based Black Economic Empowerment.

#### ***Additional Policies***

- Asset Management Policy
- Cash Management Policy
- Borrowing Policy
- Funding and Reserve Policy
- Virement Policy
- Long-term Financial Planning Policy
- Capital Investment Policy
- Budget Policy

#### ***Bylaws***

- Property Rates



## 2.5 STATEMENT OF TARIFF SETTING AND REVENUE STRATEGIES

Tariff-setting is a pivotal and strategic part of the compilation of any budget. The Council annually reviews its tariffs to ascertain whether they are still capable of producing the required revenue envelope, taking note of the prevailing trends. This process of tariff setting takes place within the framework of the Council tariff policy. The tariff policy is premised on principles of financial sustainability, social considerations as relates to the affordability of services, economic soundness and environmental considerations.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target.

While the municipality is committed to maintaining tariff increases within the forecasted inflation, increases above inflation are applied to some services (mainly major trading services) due to budgetary requirements aimed at sustaining service provision.

The percentage increase Rand Water bulk tariff is far beyond the mentioned inflation target. Given that this tariff increase is determined by external agencies, these tariffs are largely outside the control of the Council. Discounting the impact of these price increases in lower consumer tariffs will erode the Council future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilized for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Council is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.

For the 2018/19 financial year tariffs increases for the major services were primarily driven by the following broad considerations:

- Political and social considerations;
- Move towards cost reflective tariffs over the medium term to ensure financial, and so service delivery, sustainability- cost recovery will be phased in gradually in consideration of affordability of services;
- Maintaining the Councils infrastructure in good state of repair, mindful of the affordability of services;
- Increase in bulk purchases;
- Capital investment plans;
- Current national electricity constraints;
- Trends in the national and local economy;
- The impact of inflation and other cost increases;

Within this framework the Council has undertaken the tariff setting process relating to service charges as follows:

Revenue to be generated from property rates is R176 million in the 2017/18 financial year and increases to R197 Million by 2019/20 which represents 13 per cent of the operating revenue base of the Municipality.

The tables below provide detail investment information and investment particulars by maturity.

**Table 20 MBRR SA15 – Detail Investment Information**

GT484 Merafong City - Supporting Table SA15 Investment particulars by type

City of Cape Town - Supporting Table C1: Investment particulars by type										
Investment type	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand										
<b>Parent municipality</b>										
Securities - National Government		11,144	86,315	-	-	-	-	-	-	-
Listed Corporate Bonds										
Deposits - Bank										
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Municipal Bonds										
<b>Municipality sub-total</b>	1	11,144	86,315	-	-	-	-	-	-	-
<b>Entities</b>										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank										
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
<b>Entities sub-total</b>		-	-	-	-	-	-	-	-	-
<b>Consolidated total:</b>		11,144	86,315	-	-	-	-	-	-	-

The following table is a detailed analysis of the Municipality borrowing liability.

**Table 21 MBRR Table SA 17 - Detail of borrowings**

GT484 Merafong City - Supporting Table SA17 Borrowing

City of Johannesburg - Supporting Data on Borrowing										
Borrowing - Categorised by type	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand										
<b>Parent municipality</b>										
Annuity and Bullet Loans										
Long-Term Loans (non-annuity)		122,865	73,420	68,465	60,443	60,443	60,443	57,769	52,421	47,074
Local registered stock										
Instalment Credit										
Financial Leases		2,649	922	1,597				957	317	-
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										
<b>Municipality sub-total</b>	1	125,514	74,342	70,061	60,443	60,443	60,443	58,726	52,739	47,074

## Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

**Table 22 MBRR SA10 – Funding compliance measurement**

GT484 Merafong City Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	85,948	84,789	206,444	(353,698)	(415,943)	(415,943)	-	(609,387)	(752,170)	(898,078)
Cash + investments at the yr end less applications - R'000	18(1)b	2	6,965	(74,351)	(173,378)	(95,656)	(200,215)	(200,215)	-	(120,930)	(203,734)	(287,902)
Cash year end/monthly employee/supplier payments	18(1)b	3	0.8	1.0	2.0	(3.3)	(3.9)	(3.9)	-	(5.5)	(6.5)	(7.4)
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(159,812)	(57,933)	(85,023)	(68,720)	(35,566)	(35,566)	-	(1,602)	(66,490)	(71,887)
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	2.5%	(1.5%)	10.0%	(17.4%)	(6.0%)	(106.0%)	1.8%	(0.0%)	0.0%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	80.8%	73.6%	72.1%	73.8%	71.3%	71.3%	0.0%	91.4%	89.7%	88.7%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	37.4%	31.3%	36.0%	27.6%	31.2%	31.2%	0.0%	28.8%	28.8%	28.9%
Capital payments % of capital expenditure	18(1)c-19	8	99.7%	98.1%	100.0%	100.0%	100.0%	100.0%	0.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	59.1%	292.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr/(decr)	18(1)a	11	N.A.	(11.3%)	8.6%	14.1%	0.0%	0.0%	(100.0%)	(12.1%)	0.0%	0.0%
Long term receivables % change - incr/(decr)	18(1)a	12	N.A.	(100.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	1.1%	0.4%	0.6%	1.2%	1.1%	1.1%	0.0%	1.3%	1.4%	1.5%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

### Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

### Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 22, on page 42. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

### Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to SA2 position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. As indicated above the Municipality aims to achieve at least one month's cash

coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

*Surplus/deficit excluding depreciation offsets*

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs.

*Property Rates/service charge revenue as a percentage increase less macro inflation target*

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

*Cash receipts as a percentage of ratepayer and other revenue*

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 75 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 75 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

*Debt impairment expense as a percentage of billable revenue*

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 25 per cent over the MTREF. The provision is not the accepted leading practice.

*Capital payments percentage of capital expenditure*

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

*Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)*

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that borrowing equates to 0 per cent of own funded capital.

*Transfers/grants revenue as a percentage of Government transfers/grants available*

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

*Consumer debtors change (Current and Non-current)*

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the municipality's policy of settling debtor's accounts within 30 days.

*Repairs and maintenance expenditure level*

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

*Asset renewal/rehabilitation expenditure level*

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

## 2.6 LEGISLATION COMPLIANCE STATUS

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

- In year reporting  
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the City's website.
- Internship programme  
The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.
- Budget and Treasury Office  
The Budget and Treasury Office has been established in accordance with the MFMA.
- Audit Committee  
An Audit Committee has been established and is fully functional.
- Service Delivery and Implementation Plan  
The detail SDBIP document will be tabled together with the annual budget
- Annual Report  
Annual report is compiled in terms of the MFMA and National Treasury requirements.

## **2.7 RESOLUTIONS**

1. The Council of Merafong City Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) considers:
  - 1.1. The annual budget of the municipality for the financial year 2018/19 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification)
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote)
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type)
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are considered as set out in the following tables:
    - 1.2.1. Budgeted Financial Position
    - 1.2.2. Budgeted Cash Flows
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation
    - 1.2.4. Asset management
    - 1.2.5. Basic Service Delivery measurements.
2. The Council of Merafong City Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) considers that with effect from 1 July 2018:
  - 2.1. the tariffs for property rates – Detailed below
  - 2.2. the tariffs for electricity – Detailed below
  - 2.3. the tariffs for the supply of water – Detailed below
  - 2.4. the tariffs for sanitation services – Detailed below
  - 2.5. the tariffs for solid waste services – Detailed below

3. The Council of Merafong City Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) considers that with effect from 1 July 2018 the tariffs for other services, as contained in the Tariff Policy.
4. To give proper effect to the municipality's annual budget, the Council of Merafong City Local Municipality considers:
  - 4.1. That the deficit of R262.3 Million will be funded from the accumulated surplus but is not cash backed
5. That the annual Operating Revenue budget of R1 201.6 Million and Operating Expenditure budget of R1 463.9 Million including Operational Transfers and excluding capital transfers for the 2017/2018 Financial Year be considered, which will result in a deficit of R262.3 Million. That the deficit be funded from accumulated surplus.
6. That the annual Capital Budget of R233.4 Million, Including capital transfers for the 2018/2019 Financial Year be considered
7. That the following be approved in respect of Assessment Rates and the charge to be as follows:
  - a) The property rates are to be levied in accordance with Council policies, unless otherwise indicated, and the Local Government Municipal Property Rates Act 2004 and the Local Government Municipal Finance Management Act 2003.
  - b) Property rates are based on values indicated in the new General Valuation Roll. The Roll is updated for properties affected by land sub-divisions, alterations to buildings, demolitions and new buildings (improvements) through Supplemental Valuation Rolls. All values are as at the date of the roll, being July 2012.
  - c) Rebates and concessions are granted to certain categories of property usage or property owner.
  - d) The definitions and listing of categories are reflected in the Rates Policy.
  - e) Industrial / Commercial Properties – Undeveloped Land

All properties other than those defined below as residential will be rated as “non-residential” properties. This includes all undeveloped land. The cent-in-the-land for all “non-residential” properties for 2017 / 2018 is proposed to be R 0,0359.

f) Residential Properties

For all residential properties, as defined per the Rates Policy, the first R 65 000 of property value will be rebated by an amount equal to the rates payable on a property of R 65 000 in value.



All residential properties, as defined per the Rates Policy, will be levied a rate which is rebated by 10%. The cent in the rand for 2018 / 2019 is proposed to be R 0, 0148c

g) Agricultural Properties

Agricultural properties (including farms and small holdings) fall into three categories:

- (a) Those used for residential purposes;
- (b) Those used for industrial purposes;
- (c) Those used for other businesses and commercial purposes

Properties in rural areas deemed to be small holdings or farms that are not used for *bona fide* farming, but are used as residential properties will be categorized as “residential”, provided that they meet the definition of a residential property as described in the Rates Policy. Such properties will qualify for the rebate of the first R 65 000 of municipal value as per the General Valuation Roll and the “rebated” cent-in-the-rand. The cent-in-the-rand for agricultural properties or small holdings that qualify for residential status is proposed to be R 0, 0148c

Properties in rural areas deemed to be small holdings or farms that are not used for bona fide farming, but are used for industrial or business purposes will be categorized as “business”. The cent-in-the-rand for agricultural properties or small holdings that qualify for business status is proposed to be R 0, 0359c

Properties in rural areas deemed to be small holdings or farms that are used for bona fide farming, will be categorized as “agricultural”. The cent-in-the-rand for agricultural properties or small holdings that qualify for agricultural status is proposed to be R 0, 0037c

Public Service Infrastructure

In terms of the Municipal Property Rates Act, Council may not levy rates on the first 30% of the market value of Public Service Infrastructure. The remainder of the market value is rated at the non-residential cent-in-the-rand of R 0, 0037c

h) Mines

All Mine properties, as defined per the Rates Policy, will be levied a rate. The cent in the rand for 2018 / 2019 is proposed to be R 0, 0449c

i) Senior Citizens and Disabled Persons Rate Rebate

Registered owners of properties who are senior citizens and/or registered owners of properties who are disabled persons qualify for special rebates according to gross monthly household income. To qualify for the rebate(s) a property owner must be a natural person and the owner of a property which satisfies the requirements for the residential rebate and must on the 1 July of the financial year:

- I. occupy the property as his/her normal residence and
- II. be at least 60 years of age or in receipt of a disability pension from the Department of Social Development and
- III. be in receipt of a total monthly income from all sources (including income of spouses of owners)
- IV. not be the owner of more than one property and
- V. submit the application by 30 September for this rebate for the current financial year, failing which the rebate will not be granted.

The percentage rebate granted to different monthly household income levels will be determined according to the schedule below.

The proposed incomes and rebates for the 2018 / 2019 financial year as follows:

The proposed incomes and rebates for pensioners for the 2018 / 2019 financial year as follows: Gross Annual Household Income 2018/2019	% Rebate
R 1 To R 80 000	100%
R 80 001 to R 84 000	75%
R 84 001 to R 88 000	50%
R 88 001 to R 92 000	25%
R 92 001 and above	0%

j) Rebates for Certain Categories of Properties / Property Users

The categories of properties qualifying for exemption and rebates are as per the Rates Policy.

- k) The Budget for 2018 / 2019 has been balanced using the estimated income from levying the rates proposed in this report.
- l) Provision has been made in the Budget for 2018/ 2019 for the income forgone arising from the rebates and concessions proposed in this report as detailed in the Rates Policy.
- m) that in terms of Section 26(1) of the Municipal Property Rates Act, the payment of any amount owed emanating from the levy of rates as determined on 1 July 2017 is payable before or on 7 August 2017 and thereafter monthly before or on the date due as determined.
- n) that interest be levied at the rate as determined from time to time by the Premier in terms of Section 50(A) of the Local Government Ordinance, 1939, (Ordinance 17 of

1939) which has been determined at prime rate with effect from 1 December 1997 by the Department of Finance on all arrear charges, rates and levies from the day following the due dates as determined in (ii) (d) and (ii) (e) above;

- 8 That the following electricity tariffs be considered in terms of Sections 4 and 11(3) of the Municipal Systems Act, 2000 (Act 32 of 2000) as the Tariff of Charges: Electricity of the Merafong City Local Municipality, provided that the tariffs are approved by the National Electricity Regulator.

Proposed Tariff Structure - Merafong City Local Municipality					
Tariff Category		Current	Proposed	% change	Comments
<b>1. Domestic</b>					
Basic Charge		71.61	76.51	6.84%	
Energy Charge	Block 1 (0 - 50kWh)	0.86	0.91	6.84%	
	Block 2 (51 - 350kWh)	1.10	1.18	6.84%	
	Block 3 (351 - 600kWh)	1.55	1.65	6.84%	
	Block 4 (above 600kWh)	1.82	1.95	6.84%	
<b>2. Commercial</b>					
Basic Charge		813.10	868.72	6.84%	
Energy Charge		1.47	1.57	6.84%	
*Pre-Paid		1.51	1.62	6.84%	
<b>3. Industrial</b>					
Basic Charge		1180.18	1260.90	6.84%	
Energy Charge		0.90	0.96	6.84%	
Demand Charge		211.00	225.43	6.84%	
<b>3. Industrial -3%</b>					
Basic Charge		1180.18	1260.90	6.84%	
Energy Charge - 3 %		0.88	0.94	6.84%	
Demand Charge -3%		204.67	218.67	6.84%	
Temporary Power		1.61	1.72	6.84%	
Streetlights		0.97	1.04	6.84%	
Council kWh		0.97	1.04	6.84%	

10. that the following Water Tariff be considered and the tariffs be promulgated in terms of Sections 4 and 11(3) of the Municipal Systems Act, 2000 (Act 32 of 2000) as the Tariff of Charges: Water of the Merafong City Local Municipality.

		<b><u>2017-2018</u></b>	<b><u>2018-2019</u></b>	<b><u>Percentage increase</u></b>
Residential 0 – 15 kiloliters		11.00	11.66	6.00%
Residential 16-35 kiloliters		15.45	17.75	14.90%
Residential 36-50 kiloliters		25.00	28.73	14.90%
Residential 50 kiloliters and above		30.00	35.00	16.67%
<b>Business and Industrial</b>	200 Kiloliters and below	25.20	28.95	14.90%
	Above 200 Kiloliters	30.00	35.00	16.67%
<b>Special Consumers (Schools, Churches and welfare organisations)</b>	200 Kiloliters and below	18.90	21.72	14.90%
	Above 200 Kiloliters	25.00	35.00	40.00%
Departmental		16.70	19.19	14.90%
Mines Domestic		16.45	18.90	14.90%
Mines Operations		16.45	18.90	14.90%
Availability Charge	Vacant Stands - Residential	64.50	74.11	14.90%
Availability Charge	Vacant stands-business	64.50	74.11	14.90%

- 11 that the following Refuse Removal Tariff be considered and the tariffs be promulgated in terms of Sections 4 and 11(3) of the Municipal Systems Act, 2000 (Act 32 of 2000) as the Tariff of Charges: Cleaning Services of the Merafong City Local Municipality:

**CLEANSING: (PLUS V.A.T.):**

		<b><u>Actual 2017/2018</u></b>	<b><u>Proposed 2018/2019</u></b>	<b><u>% Increase</u></b>
Residential and Business	1 bin/week	155.00	168.95	9.00%
Business	Bin/3 x week	405.00	441.45	9.00%
Business	Bin/5 x week	680.00	741.20	9.00%
MMH (1.75M³)	1x per week	1,950.00	2,125.50	9.00%
MMH (1.75M³)	2x per week	3,380.00	3,684.20	9.00%
MMH (1.75M³)	3x per week	4,800.00	5,232.00	9.00%
MMH (1.75M³)	5x per week	8,700.00	9,483.00	9.00%
Bulk container (30M³)	1x per week	27,500.00	29,975.00	9.00%
Bulk container (30M³)	2x per week	42,000.00	45,780.00	9.00%
Bulk container (30M³)	3x per week	75,500.00	82,295.00	9.00%
Bulk container (30M³)	5x per week	124,000.00	135,160.00	9.00%
Temporary service	Per Bin	73.00	80.00	9.59%
Bulky waste	Per m³	340.00	370.60	9.00%
Special Exemption	Per m³	170.00	185.30	9.00%
Garden services waste	LDV/Trailer	50.00	54.50	9.00%
Small Animal Carcasses		132.00	144.00	9.09%
Bulky garden waste	1m³ - 3m³	325.00	354.25	9.00%
Bulky garden waste	3m³ and above	650.00	708.50	9.00%
Building rubble	per m³	342.00	373.00	9.06%
240 Liter Bins	Per Month for twelve months	26.50	29.00	9.43%

- 12 And that the following Sewerage Tariff be considered and that the tariffs be promulgated in terms of Sections 4 and 11(3) of the Municipal Systems Act, 2000 (Act 32 of 2000) as the Tariff of Charges: Drainage Services of the Merafong City Local Municipality:

		<b><u>2017-2018</u></b>	<b><u>2018-2019</u></b>	<b><u>% Increase</u></b>
-				
Residential 0 – 15 kiloliters		5.00	5.30	6.00%
Residential 16-35 kiloliters		5.10	5.55	8.82%
Residential 36-50 kiloliters		5.20	5.70	9.62%
Max 50KL				
Business and Industrial	200 Kiloliters and below	5.20	5.70	9.62%
	Above 200 Kiloliters	5.80	6.30	8.62%
Special Consumers (Schools, Churches Welfare organisations and consumers as approved by council)	200 Kiloliters and below	5.00	5.40	8.00%
	Above 200 Kiloliters	5.20	5.70	9.62%
Basic Charge (Payable by property owner)		50.00	54.00	8.00%
Basic Charge - Vacant Stands (Availability charge		63.00	68.00	7.94%

- 13 That Council consider the amendments to the Tariff Policy.
- 14 That Council consider the amendments to the Rating Policy.
- 15 That Council considers the amendments to the budget related policies of Council.
- 16 That council considers the miscellaneous tariffs as included in the tariff policy and that the tariffs be promulgated in terms of Sections 4 and 11(3) of the Municipal Systems Act, 2000 (Act 32 of 2000) and that the current Property Rates By-law be replaced with the attached Property Rates By-law as recommended by CoGTA and promulgated as such.

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#### **2.1.4 Municipal manager's quality certificate**

I Langa Reginald Thibini, Acting Municipal Manager of Merafong City Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name \_\_\_\_\_

Municipal Manager of Merafong City Local Municipality (GT484)

Signature \_\_\_\_\_

Date \_\_\_\_\_